

## PROPRIETARY FUNDS

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City of Ketchikan, Alaska  
Statement of Net Position  
Proprietary Funds  
December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and temporary investments	\$ 19,395,178	\$ 7,957,557	\$ 2,161,049	\$ 29,513,784	\$ 2,042,073
Restricted cash, cash equivalents and investments	640,271	185,935	24,211	850,417	-
Receivables:					
Accounts	2,249,891	-	160,916	2,410,807	-
Intergovernmental	-	490,885	-	490,885	-
Miscellaneous	-	-	-	-	49,709
Inventory	2,835,103	-	-	2,835,103	-
Prepaid items	22,343	1,026,946	-	1,049,289	618,050
Unbilled revenue	1,048,528	-	152,258	1,200,786	-
<b>Total Current Assets</b>	<b>26,191,314</b>	<b>9,661,323</b>	<b>2,498,434</b>	<b>38,351,071</b>	<b>2,709,832</b>
<b>Noncurrent Assets:</b>					
Restricted Assets:					
Investments	1,391,500	6,889,770	-	8,281,270	-
Advances from other funds	-	2,700,000	-	2,700,000	600,000
Capital Assets:					
Nondepreciable capital assets	3,417,764	2,319,667	1,564,594	7,302,025	-
Depreciable capital assets, net	108,523,195	50,299,639	16,440,058	175,262,892	-
<b>Total Noncurrent Assets</b>	<b>113,332,459</b>	<b>62,209,076</b>	<b>18,004,652</b>	<b>193,546,187</b>	<b>600,000</b>
<b>Total Assets</b>	<b>139,523,773</b>	<b>71,870,399</b>	<b>20,503,086</b>	<b>231,897,258</b>	<b>3,309,832</b>
<b>Deferred Outflow of Resources</b>	<b>759,803</b>	<b>125,721</b>	<b>34,810</b>	<b>920,334</b>	<b>-</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>140,283,576</b>	<b>71,996,120</b>	<b>20,537,896</b>	<b>232,817,592</b>	<b>3,309,832</b>

City of Ketchikan, Alaska  
Statement of Net Position (Cont'd)  
Proprietary Funds  
December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	2,951,121	228,107	1,072,006	4,251,234	365
Accrued interest	140,693	113,555	5,418	259,666	-
Customer deposits	379,120	-	-	379,120	-
Advances to other funds	287,932	-	-	287,932	-
Compensated absences payable	103,342	3,129	2,301	108,772	142,562
Unearned revenue	111,350	-	-	111,350	-
General obligation bonds payable	-	-	97,983	97,983	-
Revenue bonds payable	2,298,564	1,097,584	13,961	3,410,109	-
Claims payable	-	-	-	-	143,000
<b>Total Current Liabilities</b>	<b>6,272,122</b>	<b>1,442,375</b>	<b>1,191,669</b>	<b>8,906,166</b>	<b>285,927</b>
<b>Long-Term Liabilities:</b>					
Compensated absences payable (net of current portion)	930,074	28,157	20,712	978,943	1,283,057
Net pension liability	3,800,135	620,884	171,906	4,592,925	-
Advances from other funds	3,169,002	-	-	3,169,002	-
Revenue bonds payable (net of current portion)	21,609,969	29,759,634	254,204	51,623,807	-
General obligation bonds payable (net of current portion)	-	-	1,777,512	1,777,512	-
<b>Total Long-Term Liabilities</b>	<b>29,509,180</b>	<b>30,408,675</b>	<b>2,224,334</b>	<b>62,142,189</b>	<b>1,283,057</b>
<b>Deferred Inflow of Resources</b>	<b>42,359</b>	<b>535,958</b>	<b>1,916</b>	<b>580,233</b>	
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>35,823,661</b>	<b>32,387,008</b>	<b>3,417,919</b>	<b>71,628,588</b>	<b>1,568,984</b>
<b>Net Position</b>					
Net investment in capital assets	88,032,611	21,233,051	15,860,992	125,126,654	-
Restricted for bond retirement	1,958,826	2,312,381	18,793	4,290,000	-
Restricted for repair and replacement	-	4,720,568	-	4,720,568	-
Unrestricted	14,468,478	11,343,112	1,240,192	27,051,782	1,740,848
<b>Total Net Position</b>	<b>\$ 104,459,915</b>	<b>\$ 39,609,112</b>	<b>\$ 17,119,977</b>	<b>\$ 161,189,004</b>	<b>\$ 1,740,848</b>

See accompanying notes to the basic financial statements



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**City of Ketchikan, Alaska**  
**Statement of Revenues, Expenses**  
**and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Operating Revenues</b>					
Charges for services	\$ 38,876,540	\$ 8,961,241	\$ 2,971,896	\$ 50,809,677	\$ 2,498,038
Miscellaneous	444,379	-	13,608	457,987	106
<b>Total Operating Revenues</b>	<b>39,320,919</b>	<b>8,961,241</b>	<b>2,985,504</b>	<b>51,267,664</b>	<b>2,498,144</b>
<b>Operating Expenses</b>					
Operation and maintenance	25,483,547	4,916,988	2,000,409	32,400,944	-
Administration and general	5,793,720	-	-	5,793,720	-
Depreciation	8,042,878	1,605,242	448,211	10,096,331	-
Compensated absences	-	-	-	-	1,264,137
Insurance	-	-	-	-	1,188,420
Claims	-	-	-	-	45,481
<b>Total Operating Expenses</b>	<b>39,320,145</b>	<b>6,522,230</b>	<b>2,448,620</b>	<b>48,290,995</b>	<b>2,498,038</b>
<b>Operating Income</b>	<b>774</b>	<b>2,439,011</b>	<b>536,884</b>	<b>2,976,669</b>	<b>106</b>
<b>Non-Operating Revenues (Expenses)</b>					
Operating grants	135,314	16,004	4,432	155,750	-
Interest and fiscal charges	(821,489)	(1,665,360)	(32,989)	(2,519,838)	-
Debt refunding costs	(27,653)	(234,304)	-	(261,957)	-
Gain or (loss) on disposal of capital assets	-	(436,699)	-	(436,699)	-
Investment earnings	7,713	186,539	500	194,752	24,000
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(706,115)</b>	<b>(2,133,820)</b>	<b>(28,057)</b>	<b>(2,867,992)</b>	<b>24,000</b>
<b>Income (Loss) Before Capital Contributions, Grants and Transfers</b>	<b>(705,341)</b>	<b>305,191</b>	<b>508,827</b>	<b>108,677</b>	<b>24,106</b>
<b>Contributions and Capital Grants</b>					
Capital contributions and grants	148,612	654,642	-	803,254	-
<b>Total Contributions and Capital Grants</b>	<b>148,612</b>	<b>654,642</b>	<b>-</b>	<b>803,254</b>	<b>-</b>
<b>Net Income (Loss) before Extraordinary Item and Tr</b>	<b>(556,729)</b>	<b>959,833</b>	<b>508,827</b>	<b>911,931</b>	<b>24,106</b>
<b>Extraordinary Item - Gain on Impairment of an Asse</b>	<b>-</b>	<b>359,246</b>	<b>-</b>	<b>359,246</b>	<b>-</b>
<b>Net Income (Loss) before Transfers</b>	<b>(556,729)</b>	<b>1,319,079</b>	<b>508,827</b>	<b>1,271,177</b>	<b>-</b>
<b>Transfers</b>					
Transfer from general fund	-	19,258	-	19,258	-
Payments in lieu of taxes	(786,000)	(319,000)	(80,000)	(1,185,000)	-
<b>Total Transfers Out</b>	<b>(786,000)</b>	<b>(299,742)</b>	<b>(80,000)</b>	<b>(1,165,742)</b>	<b>-</b>
<b>Total Capital Contributions, Grants and Transfers</b>	<b>(637,388)</b>	<b>335,642</b>	<b>(80,000)</b>	<b>(381,746)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(1,342,729)</b>	<b>1,019,337</b>	<b>428,827</b>	<b>105,435</b>	<b>24,106</b>
<b>Net Position Beginning of Year</b>	<b>105,802,644</b>	<b>38,589,775</b>	<b>16,691,150</b>	<b>161,083,569</b>	<b>1,716,742</b>
<b>Net Position End of Year</b>	<b>\$ 104,459,915</b>	<b>\$ 39,609,112</b>	<b>\$ 17,119,977</b>	<b>\$ 161,189,004</b>	<b>\$ 1,740,848</b>

See accompanying notes to the basic financial statements

City of Ketchikan, Alaska  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Cash Flows from Operating Activities</b>					
Cash received from customers and users	\$ 40,206,205	\$ 9,181,875	\$ 2,971,107	\$ 52,359,187	\$ 2,498,144
Cash payments to employees for services	(13,280,806)	(1,034,629)	(852,081)	(15,167,516)	-
Cash payments to suppliers for goods and services	(16,883,907)	(3,726,053)	(1,175,781)	(21,785,741)	-
Cash payments for insurance and claims	-	-	-	-	(1,269,576)
Cash payments for compensated absences	-	-	-	-	(1,245,773)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>10,041,492</b>	<b>4,421,193</b>	<b>943,245</b>	<b>15,405,930</b>	<b>(17,205)</b>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating grant from other governments	135,314	16,004	4,432	155,750	-
Transfers out	-	19,258	-	19,258	-
Payment in lieu of taxes to the general fund	(786,000)	(319,000)	(80,000)	(1,185,000)	-
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>(650,686)</b>	<b>(283,738)</b>	<b>(75,568)</b>	<b>(1,009,992)</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Advances	(276,857)	-	-	(276,857)	-
Capital grant received from other governments	148,612	836,408	-	985,020	-
Capital debt proceeds	1,368,439	-	-	1,368,439	-
Loss on disposition of capital assets	-	436,699	-	436,699	-
Principal paid on general obligation bonds	-	-	(96,529)	(96,529)	-
Interest paid on general obligation bonds	-	-	(59,501)	(59,501)	-
Principal paid on revenue bonds	(2,145,519)	(1,540,000)	(13,752)	(3,699,271)	-
Interest paid on revenue bonds	(930,442)	(1,780,067)	(4,177)	(2,714,686)	-
Payments for capital acquisitions and construction	(6,253,558)	(1,247,055)	(177,860)	(7,678,473)	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(8,089,325)</b>	<b>(3,294,015)</b>	<b>(351,819)</b>	<b>(11,735,159)</b>	<b>-</b>
<b>Cash Flows from Investing Activities</b>					
Investment earnings	8,528	191,529	500	200,557	24,000
Proceeds from bond reserve fund investments	194,500	320,597	-	515,097	-
Purchase of bond reserve fund investments	-	(457,608)	-	(457,608)	-
<b>Net Cash Provided by Investing Activities</b>	<b>203,028</b>	<b>54,518</b>	<b>500</b>	<b>258,046</b>	<b>24,000</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,504,509</b>	<b>897,958</b>	<b>516,358</b>	<b>2,918,825</b>	<b>6,795</b>
<b>Cash and Cash Equivalents Beginning of Year (including \$1,163,963 for Ketchikan Public Utilities \$824,743 for Port and \$54,520 for Wastewater Services reported in restricted accounts)</b>	<b>18,530,940</b>	<b>7,245,534</b>	<b>1,668,902</b>	<b>27,445,376</b>	<b>2,035,278</b>
<b>Cash and Cash Equivalents End of Year (including \$640,271 for Ketchikan Public Utilities, \$185,935 for Port and \$24,211 for Wastewater Services reported in restricted accounts)</b>	<b>\$ 20,035,449</b>	<b>\$ 8,143,492</b>	<b>\$ 2,185,260</b>	<b>\$ 30,364,201</b>	<b>\$ 2,042,073</b>

(continued)

City of Ketchikan, Alaska  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016

(continued)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Ketchikan Public Utilities	Ketchikan Port	Wastewater Service	Total	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
<b>Operating Income (Loss)</b>	\$ 774	\$ 2,439,011	\$ 536,884	\$ 2,976,669	\$ 106
<b>Adjustments:</b>					
Depreciation	8,042,878	1,605,242	448,211	10,096,331	-
Other	83,363	-	-	83,363	-
<b>(Increase) Decrease in Assets and Deferred Outflows:</b>					
Accounts receivable	891,780	220,635	4,249	1,116,664	(16,539)
Unbilled revenue	(90,362)	-	(18,646)	(109,008)	-
Prepaid expenses	(7,446)	86,144	-	78,698	(3,330)
Inventory	120,444	-	-	120,444	-
Customer deposits	8,180	-	-	8,180	-
Deferred outflows	(498,747)	(83,332)	(22,603)	(604,682)	-
<b>Increase (Decrease) in Liabilities and Deferred Inflows:</b>					
Accounts payable	253,704	(14,189)	(40,243)	199,272	(15,806)
Compensated absences payable	113,138	(2,225)	(11,649)	99,264	18,364
Unearned revenue	83,868	-	-	83,868	-
Pension liability	1,046,313	170,952	47,331	1,264,596	-
Deferred inflows	(6,395)	(1,045)	(289)	(7,729)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 10,041,492</u>	<u>\$ 4,421,193</u>	<u>\$ 943,245</u>	<u>\$ 15,405,930</u>	<u>\$ (17,205)</u>
<b>Noncash investing, capital and financing activities</b>					
Fair value of non-cash investments	-	\$ (45,543)	-	-	-
Revenue bond arbitrage	\$ 1,400	-	-	-	-

See accompanying notes to the basic financial statements



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## NOTES TO THE BASIC FINANCIAL STATEMENTS

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**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. A summary of the City of Ketchikan's significant accounting policies applied in the preparation of these financial statements follows.

**1-A. Reporting Entity**

The City of Ketchikan, Alaska (the "City") is a home rule municipality operating under the powers granted by the constitution and laws of the State of Alaska. The City operates under a Council-Manager form of government and provides a variety of municipal services including general administration; police; fire; library; museum; health; public works; cemetery; port and harbors; solid waste collection and disposal; wastewater collection and treatment; and electric, telecommunications and water utilities.

As required by U.S. GAAP, these financial statements present the City (primary government) and its component units. The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes or issues their debt. Based upon this criterion, the reporting entity is limited to the City and no component units are included.

**1-B. Government-Wide and Fund Financial Statements**

The government-wide statements, which include the statement of net position and statement of activities report information on all the activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely generally on fees and charges to external parties.

The statement of net position reports all of the City's assets and liabilities, with the difference between the two presented as net position.

The statement of activities demonstrates the extent to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are clearly identifiable with a specific function. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods and services provided by the programs, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each reported as a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

**1-C. Measurement Focus, Basis of Accounting and Statement Presentation**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On the accrual basis, property taxes are recognized as

**Note 1 - Summary of Significant Accounting Policies (Continued)**

revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds are reported using current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period or when matured. The City considers most revenue as available if collected within 60 days after year end. Property taxes, sales taxes, and transient occupancy taxes, interest income, grant revenue and charges for services are susceptible to accrual. Sales tax revenue is considered available if it is collected within 30 days. Fines, licenses, permits and other receipts become measurable and available when cash is received by the City and are recognized as revenue at the time. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenditures are recorded when the related liability is incurred except for debt service expenditures, which are recognized when the payment is due.

The City reports the following major funds:

**General Fund** – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of the State of Alaska.

**Hospital Construction Fund** – The hospital construction fund accounts for all financial resources related to construction of improvements to the Ketchikan Medical Center.

The City reports the following proprietary funds:

**Ketchikan Public Utilities Fund** – This fund provides electric and telecommunication utility services to most residents of the Ketchikan Gateway Borough, which includes the City, and water utility services to the residents of the City.

**Ketchikan Port Fund** – This fund accounts for the operation and maintenance of the port facilities that are owned or operated by the City.

**Wastewater Services Fund** – This fund accounts for the collection, treatment and disposal of wastewater within the City.

Additionally, the City reports the following fund types:

**Internal Service Funds** – The internal service funds provide services to other funds on a cost-reimbursement basis. These services include paying the costs of compensated absences for the City's employees and to pay for claims not covered by the City's insurance plans. The City's two internal services funds are the compensated absences fund and the self-insurance fund.

The effect of interfund activity generally has been eliminated from the government-wide financial statements. Exceptions to this practice include payments and other charges between the City's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions affected.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for services. Operating expenses for enterprise and internal services funds include administrative expenses, cost of services, and depreciation of capital assets. All revenues and expense not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, the City uses the restricted resources first, then unrestricted resources as needed.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1-D. Assets, Liabilities and Net Position and Fund Balances**

**1-D-1 Cash, Cash Equivalents, and Investments**

A central treasury is used to account for all cash and investments, except for restricted bond redemption, bond reserve, and bond construction cash and investments; and capital improvement fund investments.

Investments are recorded at fair value, which is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The exceptions are the City's nonparticipating contracts, and certificates of deposit, which are valued at cost. Investment revenue on cash pool investments is allocated to the various funds based on their month-end cash pool equity balances.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents as the demand deposits and all investments maintained in the cash management pool, regardless of maturity period, since the various funds use the cash management pool essentially as a demand deposit account.

The City is authorized to invest in obligations of, or obligations issued or guaranteed by, the US Treasury, agencies or instrumentalities, negotiable certificates of deposit issued by rated banks, and certificates of deposit issued by banks located within the State of Alaska or issued by a rated bank. The City is also authorized to enter into repurchase agreements secured by obligations insured and guaranteed by US Treasury, agencies, or instrumentalities.

City bond ordinances require that funds in revenue bond reserve and redemption accounts be either deposited in demand deposits or invested in direct US Government obligations. The City policy requires that all certificates of deposits be collateralized to a level of 100 percent with federal, state or municipal obligations.

**1-D-2 Receivables**

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. Unbilled utility charges are accrued as receivables and revenue.

**1-D-3 Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources and therefore are not available for appropriation.

The above amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

**1-D-3 Consumable Inventories**

Inventories for materials used to maintain plant in the Ketchikan Public Utilities Fund are valued at cost, which approximates market, using average cost method. The Ketchikan Public Utilities Fund also has diesel fuel inventory which is valued using the FIFO method. The cost of governmental fund-type inventories is recorded as expenditures when consumed, using the FIFO method.

**1-D-4 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2016 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for appropriation.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1-D-6 Restricted Assets**

Certain cash and investments are restricted for the payment of revenue bond debt service and construction costs.

The Revenue Bond Redemption Fund and Revenue Bond Reserve Fund have been established in accordance with the provisions of the revenue bond indentures. These funds can only be used for the payment of principal and interest on revenue bonds outstanding and must be maintained in accordance with the provisions of the applicable revenue bond ordinances. As of December 31, 2016 the balance on hand in the KPU Revenue Bond Redemption Fund amounted to \$640,271, which was the required amount per applicable bond ordinances. The KPU Revenue Bond Reserve Fund contained 1,391,500, which was the required amount per applicable bond ordinances. The Port Revenue Bond Redemption Fund amounted to \$185,935, which was \$239 more than required. The Port Revenue Bond Reserve Fund contained \$2,240,000, as required by applicable bond ordinances. The Wastewater Service Fund contained \$24,211 in the Bond Redemption Fund.

The Harbor Construction Fund and the Hospital Construction Fund have been established in accordance with the provisions of the bond indentures. These funds can only be used for the payment of costs incurred in the construction of the improvements to harbor facilities and the Ketchikan Medical Center addition, respectively. The total amount available as of December 31, 2016 was \$488,347 in the Harbor Construction Fund and \$6,282,506 in the Hospital Construction Fund.

The Repair and Replacement Fund has been established in the Port Fund pursuant to the covenants of the Port Revenue Refunding Bond for 2016 and the provisions of the long-term lease agreement for Berth IV. As of December 31, 2016 the amount required to satisfy the bond covenants and lease agreement was \$3,517,935 for the revenue bonds and \$1,131,835 for the long-term lease for a total of \$4,649,770.

The City received Commercial Passenger Vessel Excise Tax Funds from the State of Alaska. These funds are restricted for purposes established by the State. The City currently has \$155,881 in the Major Capital Improvements Fund and \$933 in the Harbor Improvements Fund and \$1,802,683 in the Commercial Passenger Vessel Excise Tax Fund to be spent in accordance with state statutes.

The City is holding funds related to police investigations as restricted assets. These funds total \$137,151. In addition to this the City also receives from Federal and State government sources an equitable share of the funds received from the seizure of forfeited assets. These proceeds must be used for law enforcement purposes. These funds total \$174,097.

**1-D-7 Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the government fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Generally, the City maintains a capitalization threshold of five thousand dollars. However, the Telecommunications Division of the KPU Enterprise Fund follows the Federal Communications Commission's (FCC) capitalization rules which requires a lower capitalization limit for certain assets. The City's infrastructure consists of roads, bridges, sidewalks, storm drains, docks, and parking facilities. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:



Note 1 - Summary of Significant Accounting Policies (Continued)

Asset Class	Estimated Lives	
	Governmental Activities	Business-type Activities
Land improvements	15-25 Years	---
Buildings and components	10-100 Years	20-60 Years
Machinery and equipment	3-25 Years	3-15 Years
Infrastructure	10-100 Years	30-85 Years
Dams, roads, bridges, docks, structures, water mains, and generators	30-40 Years	20-60 Years
Electric, telecommunications and water services, overhead and underground facilities, hydrants, fuel holders, poles and fixtures, meters and transformers	---	12-30 Years

At the inception of capital leases at the governmental fund reporting level, expenditures and an “other financing source” of an equal amount are reported at the net present value of future minimum lease payments.

**1-D-8 Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only “when due.”

**1-D-9 Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are “due for payment” during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

**1-D-10 Bond Premiums and Discounts, Debt Issuance Costs and Refunding Gains and Losses**

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable. On the government-wide and proprietary fund type statements of activities, bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method.

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statements of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt and the refunded debt.

Bond issuance costs are recognized as outflow of resources in the reporting period in which there are incurred.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1-D-11 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City classifies its fund balance at the fund statement level based on one or more of the following categories:

**Non-spendable** – Fund balances that are classified as non-spendable includes amounts that cannot be spent because they are not in spendable form or not expected to be converted to cash.

**Restricted** – Fund balances that are classified as restricted includes amounts that have externally imposed restrictions on the use of the resources, such as creditors, grantors, laws or regulations of other governments.

**Committed** – Fund balances that are classified as committed includes amounts that can only be used for a specific purpose pursuant to constraints imposed by City Council’s formal action to establish and rescind committed funds is through passage of a motion, the highest level of decision-making authority in the City.

**Assigned** – Fund balances that are classified as assigned includes amounts that are constrained by the City’s intent to use the funds for a specific purpose, such as the subsequent years budget, encumbrances and special revenue fund balances that are not already classified as non-spendable, restricted or committed. The City Council and City Manager have the authority to take action provided in the Ketchikan Municipal Code or the City’s Charter that would cause the City to classify fund balances as assigned.

**Unassigned** – Fund balance that is classified as unassigned is the residual balance not already classified as non-spendable, restricted, committed or assigned in the general fund.

When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and lastly, unassigned fund balance.

Net Position - Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net position amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position amounts are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**1-D-12 Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater, port, electricity, telecommunications and water. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. Any revenue and expense not meeting this definition is reported as non-operating revenue and expense.

**1-D-13 Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.



**Note 1 - Summary of Significant Accounting Policies (Continued)**

**1-D-13 Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

**1-D-14 Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**1-D-16 Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to future periods that will not be recognized as an outflow of resources, or expense/expenditures, until then. Deferred inflows of resources represents an acquisition of net position that applies to future periods that will not be recognized as an inflow of resources, or revenues, until then.

**Note 2 – Stewardship, Compliance and Accountability**

**2-A. Budgetary Information**

The City adopts an annual operating budget for the general fund, each of its special revenue funds, capital projects funds, debt service funds, enterprise funds and internal service funds. The budget resolution reflects the total of each department's appropriation in each fund. The budgets for the enterprise and internal service funds are adopted for management purposes and are not reported in these financial statements.

The budgets are adopted on a basis consistent with GAAP except that outstanding encumbrances are reported as expenditures on the budgetary basis. For budgetary reporting purposes, advances are classified as revenues and transfers are classified as expenditures.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund.

The City Council may transfer unencumbered appropriation balances from any item of appropriation to any other item of appropriation. Council authorization is required to transfer appropriations from one department to another and from appropriated reserves. The total of expenditures and outstanding encumbrances for any department cannot exceed the amount legally appropriated for that department with the adoption of the annual budget, unless otherwise amended by the City Council.

On December 17, 2015, the 2016 General Government Operating and Capital Budget and the 2015 Ketchikan Public Utilities Operating and Capital Budget were adopted by the City Council with the passage of Resolution 15-2609 and Resolution 15-2610, respectively. During the year, the 2016 General Government Operating and Capital Budget was amended to provide for supplemental appropriations as follows:

- Acceptance of a grant for the fire department in the amount of \$4,000.
- Acceptance of a grant for the fire department in the amount of \$122.
- Acceptance of a grant for the fire department in the amount of \$6,920.
- Acceptance of a grant for the library department in the amount of \$6,900.

**Note 2 – Stewardship, Compliance and Accountability (Continued)**

- Acceptance of a grant for the museum department in the amount of \$235,750.
- Increase revenues and appropriations for the museum department in the amount of \$4,500.
- Acceptance of a private contribution for the museum department in the amount of \$220.
- Increase appropriations for the tourism and economic development department in the amount of \$15,363.
- Issuance of bonds for the harbor department in the amount of \$160,000.
- Increase appropriations for the harbor department in the amount of \$5,000.

During the year, the 2016 Ketchikan Public Utilities Capital Budget was amended as follows:

- Issuance of bonds for the water department in the amount of \$1,400,000.

In addition, transfers of funds between budget accounts, within departments, which did not increase appropriations, were made for both General Government and Ketchikan Public Utilities. The effects of these transfers were not significant in relation to the budgets taken as a whole.

All unencumbered appropriations lapse at the end of each fiscal year, but encumbered appropriation balances carry forward automatically and may be expended after year-end. All unencumbered, unexpended annual appropriations lapse at year-end. Payments made against prior year purchase orders result in current year expenditures being increased and current year encumbrance balances being reduced so that these payments do not reduce current year appropriations.

**Note 3 - Detailed Notes on All Funds**

**3-A. Deposits and Investments**

Cash and investments for the City are comprised of governmental and business-type activities. The balances at December 31, 2016 were:

Cash on hand	\$	12,770
Deposits with financial institutions		77,689,637
Total	\$	<u>77,702,407</u>

Cash and investments for the City include both governmental and business-type activities as follows:

	Governmental Activities	Business-type Activities	Total
Unrestricted	\$ 31,818,021	\$ 29,513,784	\$ 61,331,805
Restricted	7,238,915	9,131,687	16,370,602
Total	<u>\$ 39,056,936</u>	<u>\$ 38,645,471</u>	<u>\$ 77,702,407</u>

The restricted cash and investments are comprised entirely of \$2,031,771, \$24,211 and \$2,425,935 for bond reserve accounts established for the City's municipal utility, wastewater services and port revenue bonds, respectively, \$6,770,852 for bond construction accounts, \$4,649,770 for the Port repair and replacement accounts, \$156,814 for commercial passenger excise tax fund accounts and \$311,249 for public safety confiscated funds.

**Deposits**

**Custodial credit risk-deposits.** This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy is in accordance with guidelines established by the City Charter, the City Council and its bond ordinances. All deposits were covered by federal depository insurance up to \$250,000 and collateralized with eligible securities in amounts equal at least 100 percent of the bank value of deposits. As of December 31, 2016, the book value of all the City deposits was \$77,689,637, the bank value was \$77,201,897. The bank balance was not fully collateralized as of December 31, 2016. The fund under-collateralized were \$3,304,500. The City is fully collateralized by the end of January 2017.

**Note 3 - Detailed Notes on All Funds (Continued)****3-B. Receivables**

Receivables at consist of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants.

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectability. Receivables for the year ended December 31, 2016, consisted of the following:

	Governmental Activities	Business- type Activities	Total
Accounts receivable	\$ 6,752,509	\$ 4,180,478	\$ 10,932,987
Allowance for doubtful accounts	(145,400)	(78,000)	(223,400)
Net accounts receivable	<u>\$ 6,607,109</u>	<u>\$ 4,102,478</u>	<u>\$ 10,709,587</u>

**3-C. Property Taxes**

Under Alaska Statutes, boroughs are required to bill and collect property taxes for cities located within its boundaries. The Ketchikan Gateway Borough performs these functions for the City. The City must set the rate of levy by June 15 of each year. Property taxes are levied on July 1 and are based on the assessed valuation of real and personal property as of January 1. Property taxes are due and payable immediately upon levy and become delinquent if not paid on or before September 30 of the year in which they are levied. The lien date is October 1. Foreclosure proceedings are initiated by the Ketchikan Gateway Borough the following January on properties for which property taxes has not been paid by December 31. Upon the issuance of a judgment by the court, properties with delinquent taxes are transferred to the Borough and held for at least one year in order to permit the property owner with an option to redeem the property. At the end of the redemption period, all unredeemed property located within the City is deeded to the City by the court subject to the payment by the City of all unpaid borough taxes and the costs of foreclosure levied against the property.

**3-D. Leases****3-D-1 Operating Leases**

The City is a lessor in a number of operating leases as follows:

In 1988, the City entered into an agreement with the United States of America, Forest Service to lease City owned land for 40 years for a Southeast Alaska visitor's information center. The terms of the lease agreement require annual lease payments of \$1 per year.

In 1981, the City entered into an agreement with Peacehealth to lease the City owned hospital for 10 years. The terms of the lease require annual payments of \$1 per year. In 1992, 2003 and 2013, the agreement was amended to provide for 10-year extensions.

**Note 3 - Detailed Notes on All Funds (Continued)**

In 2004, the State of Alaska transferred, at no cost, to the City of Ketchikan thirteen tidelands leases. The following is a schedule of investment in property held for lease and the minimum future rentals as of December 31, 2016:

Schedule of Investment in Property Held For Lease	
Tidelands	\$ 941,500
Total	941,500
Less: Accumulated Depreciation	-
Net Investment	\$ 941,500

Years Ending December 31	Amount
2017	\$ 48,739
2018	48,738
2019	48,739
2020	48,738
2021	48,739
2022-2026	197,199
2027-2031	163,786
2032-2036	142,970
2037-2041	74,525
2042-2046	68,705
2047-2051	59,800
2052-2056	30,000
2057-2061	30,000
2062-2063	12,000
Total minimum future lease rentals	\$ 1,022,678

Nine of the leases have a scheduled rate change after 25 years and then every 10 years thereafter, three of the leases have a scheduled rate change in the sixth year and every five years thereafter and one lease has no future rate changes at the date of transfer from the State. The expiration of the lease with the shortest remaining term expires in 2023 while the lease with the longest remaining term expires in 2063.

The City is a lessee in the following operating lease:

The City is under contract to lease a panamax class cruise ship berth and adjacent ground transportation areas, which will be used in its port operations, under a 30-year non-cancelable operating lease. The lease agreement includes two ten-year options to renew.

## Note 3 - Detailed Notes on All Funds (Continued)

The future minimum lease payments for this lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2017	\$ 1,800,000
2018	1,800,000
2019	1,800,000
2020	1,800,000
2021	1,800,000
2022-2026	9,000,000
2027-2031	9,000,000
2032-2036	9,000,000
2037	1,800,000
Total future minimum lease payments	<u>\$ 37,800,000</u>

The future minimum lease payments do not include contingent lease payments that will be paid if the number of cruise ship passengers paying the City's passenger wharfage fee exceeds 820,000 passengers. Various formulas are used to determine the contingent lease payments and all are dependent on passenger volume. Contingent lease payments will be decreased if passenger volume decreases. In 2016, the City paid the minimum lease of \$1,800,000 plus a contingent lease payment of \$664,670 for a total of \$2,464,670.

**3-E. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 28,904,498	\$ -	\$ -	\$ 28,904,498
Easements	588,168	-	-	588,168
Construction in progress	49,661,624	16,023,606	3,985,250	61,699,980
Other capital assets	100,750	-	-	100,750
Total nondepreciable capital assets	<u>79,255,040</u>	<u>16,023,606</u>	<u>3,985,250</u>	<u>91,293,396</u>
Depreciable capital assets:				
Land improvements	1,554,203	-	-	1,554,203
Buildings	75,840,835	3,814,015	-	79,654,850
Machinery and equipment	16,344,693	512,348	160,517	16,696,524
Infrastructure	76,751,184	8,406,957	-	85,158,141
Software	581,531	-	-	581,531
Total depreciable capital assets	<u>171,072,446</u>	<u>12,733,320</u>	<u>160,517</u>	<u>183,645,249</u>
Total capital assets	<u>250,327,486</u>	<u>28,756,926</u>	<u>4,145,767</u>	<u>274,938,645</u>
Accumulated depreciation:				
Land improvements	1,341,930	8,312	-	1,350,242
Buildings	20,353,970	1,369,397	-	21,723,367
Machinery and equipment	9,309,215	990,384	127,583	10,172,016
Infrastructure	24,541,006	2,338,317	-	26,879,323
Software	209,029	28,615	-	237,644
Total accumulated depreciation	<u>55,755,150</u>	<u>4,735,025</u>	<u>127,583</u>	<u>60,362,592</u>
Governmental activities capital assets, net	<u>\$ 194,572,336</u>	<u>\$ 24,021,901</u>	<u>\$ 4,018,184</u>	<u>\$ 214,576,053</u>

## Note 3 - Detailed Notes on All Funds (Continued)

Governmental activities depreciation expense

General government	\$ 93,070
Public safety	730,884
Public works	1,863,617
Health and welfare	614,906
Harbor	1,157,232
Culture	275,316
Total governmental activities depreciation expense	<u>\$ 4,735,025</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 4,498,606	\$ -	\$ -	\$ 4,498,606
Other capital assets	221,766	-	-	221,766
Construction in progress	2,563,092	1,656,255	1,637,694	2,581,653
Total non-depreciable capital assets	7,283,464	1,656,255	1,637,694	7,302,025
Depreciable capital assets:				
Electric utility plant	123,062,973	1,203,669	393,622	123,873,020
Telecommunications utility plant	65,451,151	2,563,653	1,787,951	66,226,853
Water utility plant	52,990,957	3,571,368	246,647	56,315,678
Wastewater utility plant	24,659,337	10,995	-	24,670,332
Port facilities	66,612,660	1,352,330	577,894	67,387,096
Total depreciable capital assets	332,777,078	8,702,015	3,006,114	338,472,979
Total capital assets	340,060,542	10,358,270	4,643,808	345,775,004
Accumulated depreciation:				
Electric utility plant	66,458,571	3,032,559	393,622	69,097,508
Telecommunications utility plant	48,722,164	3,629,194	1,781,373	50,569,985
Water utility plant	17,022,558	1,381,125	178,820	18,224,863
Wastewater utility plant	7,782,064	448,210	-	8,230,274
Port facilities	15,623,409	1,605,242	141,194	17,087,457
Total accumulated depreciation	155,608,766	10,096,330	2,495,009	163,210,087
Business-type activities capital assets, net	<u>\$ 184,451,776</u>	<u>\$ 261,940</u>	<u>\$ 2,148,799</u>	<u>\$ 182,564,917</u>

**Note 3 - Detailed Notes on All Funds (Continued)****3-F. Commitments**

The City has the following commitments as of December 31, 2016:

	Operational	Capital	Total
Governmental Funds			
General	\$ 274,014	\$ 1,045,624	\$ 1,319,638
Hospital construction fund	-	3,584,314	3,584,314
Non-major special revenue funds	9,403	216,705	226,108
Non-major capital projects funds	-	6,589,107	6,589,107
Total Governmental Funds	<u>\$ 283,417</u>	<u>\$ 11,435,750</u>	<u>\$ 11,719,167</u>
Enterprise Funds			
KPU	\$ 890,916	\$ 916,745	\$ 1,807,661
Port	2,542	43,296	45,838
Wastewater	2,900	1,471,065	1,473,965
Total Enterprise Funds	<u>\$ 896,358</u>	<u>\$ 2,431,106</u>	<u>\$ 3,327,464</u>

**3-G. Interfund Balances and Transfers**

Interfund balances at December 31, 2016, consisted of the \$266,100 from governmental funds and represents reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year except where noted.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfers from	Transfers to:			
	General fund	Port fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 19,258	\$ 3,225,797	\$ 3,245,055
KPU fund	786,000	-	-	786,000
Port fund	319,000	-	-	319,000
Wastewater fund	80,000	-	-	80,000
Nonmajor governmental funds	<u>348,668</u>	<u>-</u>	<u>411,285</u>	<u>759,953</u>
Total	<u>\$ 1,533,668</u>	<u>\$ 19,258</u>	<u>\$ 3,637,082</u>	<u>\$ 5,190,008</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and for payments in lieu of taxes.



**Note 3 - Detailed Notes on All Funds (Continued)**

**3-H. Landfill Closure and Postclosure Care**

State and federal laws and regulations require the City to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for up to thirty years after closure. Operating and capital expenditures related to current activities of the landfill are recorded in the Solid Waste Services special revenue fund. During 2016, the City did not have any current expenditures for landfill closure costs nor any post-closure care costs. The total estimated liability for landfill closure and postclosure care costs are reported on the government-wide statement of net position.

During 2016, the future closure and postclosure costs were reevaluated and adjusted to reflect current conditions. As of December 31, 2016, the estimated liability for landfill closure and postclosure care costs totaled \$963,840, an increase of \$3,960 from the estimated liability as of December 31, 2015.

The estimated liability is based on an engineer's estimate taking into account various factors including used capacity. As of December 31, 2016 used capacity was approximately 60.64%. It is estimated that an additional \$736,160 will be recognized as closure and postclosure care expenses between the date of the balance sheet, and the year 2037, in 21 years, the date the landfill is expected to reach full capacity. The estimated total current cost of the landfill closure and postclosure care is \$1,700,000 and is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2016. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, and/or changes in the landfill laws and regulations.

The City is required by state and federal laws and regulations to demonstrate financial responsibility for closure and postclosure care costs. The City was in compliance with the requirements for inert landfills at December 31, 2016.

**3-I. Long-Term Debt**

**General Obligation Bonds** - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities.

General obligation bonds are secured by the full faith and credit of the City. These bonds are payable from taxes levied on all property located within the City, sales taxes collected within the City, and from proprietary revenues, if the bonds were issued for proprietary activities. General obligation bonds currently outstanding are as follows:

**1997 Hospital General Obligation Bonds** – issued to finance improvements for the Ketchikan General Hospital, refunded March 17, 2015, due in annual installments through October 1, 2017, bearing interest rates of 2.00-4.00%.

**2010 Fire Station General Obligation Bonds** – issued to finance construction of a new fire station for the Ketchikan Fire Department, issued December 9, 2010, due in annual installments through August 1, 2030, bearing interest rates of 1.422 – 6.256%.

**2012 Library Facilities General Obligation Bonds** – issued to finance construction of a new library for the Ketchikan area, issued May 1, 2012, due in annual installments through September 1, 2031, bearing interest rates of 2.00 – 5.00%.

**2014 Harbor General Obligation Bonds** – issued to finance harbor improvements for Bar Harbor South, issued June 19, 2014, due in annual installments through June 1, 2034, bearing interest rates of 3.00 – 5.00%.

**2014 Hospital General Obligation Refunding Bonds** – issued to finance construction of an addition to the Ketchikan Medical Center, issued June 19, 2014, due in annual installments through June 1, 2044, bearing interest rates of 4.00 – 5.00%.

**2016 Harbor General Obligation Bonds** – issued to finance harbor improvements for Hole in the Wall and Bar Harbor Ramp 3, issued November 3, 2016, due in annual installments through December 1, 2035, bearing interest rates of 4.00 – 5.00%.



Note 3 - Detailed Notes on All Funds (Continued)

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481011** – issued to finance the replacement of a portion of the Tongass Avenue sewer main, due in semiannual installments through May 1, 2032 bearing an interest rate of 1.5%.

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481071** – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%, due in semiannual installments through November 1, 2033.

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481072** – issued to finance the replacement of a portion of the Tongass Avenue sewer main, bearing an interest rate of 1.5%, due in semiannual installments through November 1, 2033.

**Wastewater General Obligation Bonds, ADEC Clean Water Fund 481101** – issued to finance the replacement of a portion of the Jackson/Monroe Avenue sewer main, bearing an interest rate of 1.5% due in semiannual installments through November 1, 2035.

Annual debt service requirements to amortize general obligation bonds outstanding, as of December 31, 2016 follow:

Year	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 1,455,000	\$ 2,442,793	\$ 3,897,793	\$ 97,985	\$ 27,766	\$ 125,751
2018	1,490,000	2,365,068	3,855,068	99,460	26,291	125,751
2019	1,560,000	2,291,724	3,851,724	100,957	24,794	125,751
2020	1,630,000	2,214,438	3,844,438	102,477	23,274	125,751
2021	1,700,000	2,133,057	3,833,057	104,020	21,731	125,751
2022-2026	9,765,000	9,294,144	19,059,144	544,070	84,684	628,754
2027-2031	11,600,000	6,712,032	18,312,032	586,281	42,473	628,754
2032-2036	9,430,000	4,428,150	13,858,150	240,245	6,400	246,645
2037-2041	10,175,000	2,480,900	12,655,900	-	-	-
2042-2044	7,155,000	436,900	7,591,900	-	-	-
Total	\$ 55,960,000	\$ 34,799,206	\$ 90,759,206	\$ 1,875,495	\$ 257,413	\$ 2,132,908

**Revenue Bonds** - The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay for debt service. All revenues of the respective funds are pledged to satisfy annual principal and interest requirements until the bonds mature. All revenue bonds issued by the City have been recorded in the Ketchikan Public Utilities, Port or Wastewater Enterprise Funds and are described below:

**KPU Revenue Bonds, 1997, Series T –Amended** – issued to finance the expansion of diesel generation capacity, refunded April 21, 2016, due in annual installments through June 1, 2017, bearing an interest rate of 5.00%.

**KPU Revenue Bonds, 2008, Series W, Clean Renewable Energy Tax Credit** – issued to finance a hydroelectric modernization project, dated July 10, 2008, due in annual installments through December 15, 2022 bearing an interest rate of .750%.

**KPU Revenue Bonds, 2013, Series X**– issued to finance a hydroelectric project, dated June 19, 2013, due in annual installments through June 1, 2033 bearing an interest rates of 2.00 – 5.00%.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481021**– issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of the Tongass Avenue water main, due in semiannual installments through May 1, 2032.

**Note 3 - Detailed Notes on All Funds (Continued)**

**KPU Revenue Bonds, ADEC Drinking Water Fund 481051**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of a water treatment facility, due in semiannual installments through November 1, 2033.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481061**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of Tongass Avenue water main, due in semiannual installments through November 1, 2033.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481091**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481121**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Baranof reservoir replacement, due in semiannual installments through November 1, 2033.

**KPU Revenue Bonds, ADEC Drinking Water Fund 481141**— issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the construction of the Jackson/Monroe water main replacement, due in semiannual installments through November 1, 2035.

**Port Revenue Refunding Bonds, 2016** — issued to finance the port expansion and reconfiguration project, refunded November 3, 2016, due in annual installments through December 1, 2035, bearing interest rates of 2.00 – 5.00%.

**Wastewater Revenue Bonds, ADEC Clean Water Fund 481111** — issued a taxable junior lien municipal utility revenue bond bearing an interest rate of 1.5% to finance the replacement of a portion of the Alaska Avenue sewer main, due in semiannual installments through November 1, 2033.

The operating revenues of the KPU, Port and Wastewater Funds were \$39 million, \$9 million and \$3 million respectively. The debt service for KPU, Port and Wastewater Funds were \$1.7 million or 4.2% of revenues, \$1.5 million or 17.1% of revenues and \$110 thousand or 3.7% of revenues, respectively.

Annual debt service requirements to amortize revenue bonds outstanding, as of December 31, 2016 follow:

Year	Principal	Interest	Total
2017	\$ 3,084,522	\$ 2,046,719	\$ 5,131,241
2018	2,001,441	1,968,326	3,969,767
2019	2,073,463	1,898,228	3,971,691
2020	2,145,592	1,822,199	3,967,791
2021	2,222,828	1,740,313	3,963,141
2022-2026	12,186,549	7,313,531	19,500,080
2027-2031	14,949,505	4,465,451	19,414,956
2032-2035	11,018,502	1,138,654	12,157,156
Total	<u>\$ 49,682,402</u>	<u>\$ 22,393,421</u>	<u>\$ 72,075,823</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

**Changes in Long-term Debt** - Changes in the City's long-term obligations consisted of the following for the year ended December 31, 2016:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 55,550,000	\$ 1,765,000	\$ 1,355,000	\$ 55,960,000	\$ 1,455,000
Plus deferred amounts:					
For issuance premiums	2,434,081	252,887	140,557	2,546,411	151,049
Total bonds payable	57,984,081	2,017,887	1,495,557	58,506,411	1,606,049
Landfill closure costs	959,880	3,960		963,840	-
Compensated absences	1,407,254	1,164,874	1,146,510	1,425,618	142,562
Total Governmental Activities	<u>\$ 60,351,215</u>	<u>\$ 3,186,721</u>	<u>\$ 2,642,067</u>	<u>\$ 60,895,869</u>	<u>\$ 1,748,611</u>
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 1,972,026	\$ -	\$ 96,531	\$ 1,875,495	\$ 97,984
Revenue bonds	56,102,379	29,453,694	35,873,671	49,682,402	3,017,237
Plus deferred amounts:					
For issuance premiums	2,181,567	3,950,304	780,358	5,351,513	325,586
Total bonds payable	60,255,972	33,403,998	36,750,560	56,909,410	3,440,807
Compensated absences	988,450	1,303,433	1,204,169	1,087,714	108,771
Total Business-Type Activities	<u>\$ 61,244,422</u>	<u>\$ 34,707,431</u>	<u>\$ 37,954,729</u>	<u>\$ 57,997,124</u>	<u>\$ 3,549,578</u>

The general obligation bonds for governmental activities are being retired by the general obligation bond debt service fund.

The landfill closure costs are being paid from the solid waste services fund. Principal and interest payments related to the City's revenue bonds are financed from income derived from the operations of the Ketchikan Public Utilities and Port Enterprise funds. The general obligation bonds for business-type activities are being retired from resources derived from the operations of the Port enterprise fund. The compensated absences liability is being liquidated from the compensated absences fund.

**Defeased Bonds Outstanding** - In prior years, the City issued general obligation and municipal utility revenue refunding bonds to defease certain outstanding general obligation and municipal utility revenue bonds to achieve debt service savings. The City has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to insure payment of debt service on the refunded bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the City's financial statements. Although defeased, the refunded debt from these earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. As of December 31, 2016, \$32,965,000 of the bonds outstanding was considered defeased.

**Bond Refundings** - In April 2016, the City issued \$2,295,000 of the 2016 Series Two bonds to refund \$2,510,000 2005 Series T refunded bonds. The new bonds exceeded the carrying amount of the new bonds by \$39,542. This amount will be amortized over the remaining life of the refunded debt. The refunding reduced the City's aggregate debt service payments to maturity by \$219,695, which resulted in the net present value savings of \$33,352. In November 2016, the City issued \$27,635,000 of the GO 2006-2 Series Three and Four bonds to refund \$30,845,000 of the 2006 Port bonds. The old bonds exceeded the carrying amount of the new bonds by \$533,698. This amount will be amortized over the remaining life of the refunded debt. The refunding reduced the City's aggregate debt service payments to maturity by \$6,601,134, which resulted in the net present value savings of \$4,406,350.

**Note 3 - Detailed Notes on All Funds (Continued)**

**3-J. Retirement Plans**

Substantially all regular employees of the City are members of the Alaska Public Employees' Retirement System (PERS) except for employees who are members of the International Brotherhood of Electrical Workers Local No. 1547 (IBEW). IBEW members participate in a union sponsored defined benefit plan.

**A. State of Alaska Public Employees' Retirement System**

**Plan Description**

All regular employees of the City not covered by a collective bargaining agreement that includes a pension benefit and work at least 14 hours are provided with a pension through the State of Alaska Public Employees Retirement System (PERS). The PERS was originally established as an agent multiple-employer plan but was converted to cost-sharing multiple employer plan, effective July 1, 2008. The PERS includes defined benefit plans (Tiers I, II, and III) and a defined contribution plan (Tier IV). The PERS defined benefit plan was closed to all new employees hired on or after July 1, 2006 and replaced with a defined contribution plan. PERS provides retirement, disability, death and other post-retirement benefits. Benefits and employer contributions are established by Alaska Statutes and may only be amended by the State Legislature.

PERS is administered by the State of Alaska. Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirements and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or online at <http://doa.alaska.gov/drb/pers/employee/resources/cafr.html>.

**Defined Benefit Plan**

**Plan Benefits**

**Retirement Benefits** - The determination of retirement benefits is based on an employee's initial entry date into the PERS. Employees entering into the PERS before July 1, 1986 are classified as Tier I and are eligible for normal benefits at age 55 or early retirement benefits at age 50 after five years of service. Employees with an initial entry date of on or after July 1, 1986 are classified as Tiers II and III and, after five years of service, are eligible for normal benefits at age 60 or early retirement benefits at age 55. The benefit is calculated by multiplying the average monthly compensation times credited PERS service times the percentage multiplier. The percentage multipliers for peace officers/firefighters are 2% for the first ten years of service and 2.5% for years of service over ten years. The percentage multipliers for all others are 2% for the first ten years, 2.25% for the second ten years and 2.5% for all years of service earned on or after July 1, 1986. Service earned before July 1, 1986 is calculated at 2%.

**Death Benefits** - Monthly death benefits may be paid to a spouse or dependent children upon the death of a non-retired employee calculated based on whether it is an occupational or non-occupational death. For a retired employee, the beneficiary will receive a lump sum refund of the employee's account balance or, if the member selected a survivor option, lifetime monthly benefits for the eligible spouse.

**Disability Benefits** - Monthly disability benefits are paid to permanently disabled employees until they recover, die or become eligible for normal retirement. Employees are appointed to normal retirement on the first month of the month after they become eligible. Benefits are determined as follows:

- Occupational disability benefits are equal to 40% of an employee's gross monthly compensation at the date of their disability. Employees are not required to satisfy age or service requirements.
- Non-occupational disability benefits are calculated based on the employee's average monthly compensation and PERS service on the date of termination due to the disability. Employees must have five years of PERS service in order to be eligible to receive benefits.

**Benefit Changes After Retirement** - Postretirement pension adjustments (PRPA) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical works for Anchorage increases during the preceding calendar year. Ad hoc PRPAs up to a maximum of 4% may be granted to eligible recipients who first entered PERS prior to July 1, 1986 if the CPI increases and the funding ratio is at least 105%.

Note 3 - Detailed Notes on All Funds (Continued)

*Alaska Cost of Living Allowance* – Eligible recipients who reside in Alaska receive an Alaska cost of living allowance equal to 10% of their base benefits or \$50, whichever is more.

**Contributions**

Mandatory contributions are required by regular employees eligible to participate in the PERS. Police and firefighters are required to contribute 7.5% of their annual covered salary and all other employees are required to contribute 6.75%.

There are several other contribution rates associated with funding the PERS. They are as follows:

*Employer Contribution Rate* - Alaska Statute 39.35.255 established a mandatory employer contribution rate of 22% of covered payroll. This rate is assessed on the covered payroll attributable to employees participating in the defined benefit and the defined contribution plans. Contributions derived from the employees participating in the defined contribution plan that are not required to fund the benefits of the deferred contribution plan are referred to as the Defined Benefit Unfunded Liability or DBUL contribution. The Alaska Legislature can change the mandatory employer contribution rate by amending Alaska Statute 39.35.255.

*Alaska Retirement Management Board Adopted Rate* – This rate is actuarially determined and used to calculate the annual funding requirements for the PERS and is the rate formally adopted by the Alaska Retirement Management Board (ARMB). Prior to July 1, 2015, there were no constraints or restrictions on the actuarial cost methods or any other assumptions used to determine the rate. Effective July 1, 2015, the Alaska Legislature began requiring the ARMB to adopt employer contribution rates for past service cost liabilities using a level percent of pay method over a closed 25-year term, which ends in 2039. This will result in lower ARMB adopted rates in future years but increase the amount required to meet the funding requirements of the PERS by extending period required to fund the pension liability by nine years. Prior to July 1, 2015, the ARMB used an actuarially determined rate based on the level dollar method.

*State Contribution Rate* - This is the rate paid by the State as an on-behalf payment under Alaska Statutes 39.25.280. This statute requires the State to contribute, subject to available funding, an on-behalf amount equal to the difference between the ARMB Adopted Rate and Employer Contribution Rate mandated by Alaska Statutes 39.35.255.

Contributions rates for the year ended December 31, 2016 were based on the June 30, 2015 roll forward PERS valuation report and the June 30, 2012 PERS actuarial valuation report and were as follows:

	Employer Rate		ARMB Rate		State Contribution Rate	
	Jan 1 - June 30	July 1 - Dec 31	Jan 1 - June 30	July 1 - Dec 31	Jan 1 - June 30	July 1 - Dec 31
Pension	13.25%	14.96%	16.88%	26.14%	3.63%	4.14%
Postemployment healthcare	8.75%	7.04%	10.31%	0.00%	1.56%	0.00%
Total Contribution Rate	22.00%	22.00%	27.19%	26.14%	5.19%	4.14%

The amounts contributed by the City and the State in the form of on-behalf payments for Tiers I, II, and III for the year ended December 31 were as follows:

Pension	2016	2015	2014	2013
Employer contributions (including DBUL)	\$ 1,066,834	\$ 960,680	\$ 882,730	\$ 771,002
Nonemployer contributions	398,317	2,382,842	2,330,923	777,802
Total Contributions	\$ 1,465,151	\$ 3,343,522	\$ 3,213,653	\$ 1,548,804
Postemployment Healthcare	2016	2015	2014	2013
Employer contributions (including DBUL)	\$ 597,283	\$ 677,349	\$ 793,836	\$ 900,495
Nonemployer contributions	88,708	72,849	301,477	531,634
Total Contributions	\$ 685,991	\$ 750,198	\$ 1,095,313	\$ 1,432,129



Note 3 - Detailed Notes on All Funds (Continued)

The amounts contributed by the City for postemployment healthcare were equal to the required employer contributions for the last three years. Included in both the pension and the postemployment health amounts are the DBUL amounts that were levied against the PERS Defined Contribution Plan (Tier IV).

Terminated employees may receive refunds of their mandatory and voluntary contributions, indebtedness payments and interest earned on the contributions and indebtedness payments. Terminated employee contribution accounts may be attached to satisfy claims under Alaska Statutes 09.38.065, federal income tax levies, and valid qualified domestic relation orders.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2016, the City reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$ 20,224,243
State's proportionate share of the net pension liability attributable to employer	2,550,121
	<u>\$ 22,774,364</u>

This disclosure is based on the provisions of Alaska Statute 39.35.280, which may be amended at the discretion of the Alaska State Legislature. An amendment to the Statute could result in the City recognizing some, or all, of the State's proportionate share of the net pension liability associated with the City.

The net pension liability was measured as of June 30, 2016 and the total pension liability used for the calculation was determined by an actuarial valuation as of June 30, 2013. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2016, the City's proportion was .3618%, which was an increase of .197% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$4,436,668 and revenue of \$398,317 for support provided by the State. At December 31, 2016, the City reported deferred outflows of resources and deferred inflow of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 93,279	\$ -
Changes in proportion and differences between employer share of contributions	1,407,548	-
Difference Between Expected and Actual Experience	1,859	-
Net differences between projected and actual earnings on pension plan investments	1,987,946	225,434
Contributions subsequent to the measurement date	437,374	-
Totals	<u>\$ 3,928,006</u>	<u>\$ 225,434</u>

**Note 3 - Detailed Notes on All Funds (Continued)**

The deferred outflows of resources related to pensions of \$437,374 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31:</u>	
2017	\$ 1,495,066
2018	432,680
2019	812,678
2020	524,774

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of December 31, 2014:

Inflation	3.12%
Salary increases	Graded by service from 9.66% to 4.92% for peace officers and firefighters
	Graded by age and service from 8.55% to 4.34% for all others
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%

Pre-termination mortality rates were based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in the actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the PERS's current and expected asset allocation are summarized in the following table (note that the rates shown below exclude the inflation component):

**Long-Term Expected Real Rate of Return**

<b>Asset Class</b>	
Domestic equity	5.35%
Global equity (non-US)	5.55%
Private equity	6.25%
Fixed income composite	0.80%
Real estate	3.65%
Alternative equity	4.70%

**Note 3 - Detailed Notes on All Funds (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employee, employer and State contributions will continue to be made at the current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the current discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 26,047,800	\$ 20,224,243	\$ 15,312,340

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Alaska Public Employees Retirement System financial report.

**Defined Contribution Plan –**

All regular employees who are first time members of the PERS participate in the PERS Defined Contribution Hybrid Plan for Tier IV. This plan provides pension, occupational disability, death, and healthcare benefits.

**Plan Benefits**

**Pension Benefits** – The pension plan is a defined contribution plan. Employees immediately vest 100 percent in their own contributions. An employee vests 25 percent in the employer's contributions with two years of service, 50 percent with three years of service, 75 percent with four years of service and 100% with five years of service. Contributions consist solely of employee and employer contributions, with no special funding or other nonemployer contributions. Alaska Statutes require that forfeitures be used to reduce employer contributions. The benefits paid to employees are based on the amounts contributed to the plan by employers and employees and investment earnings.

**Occupational Death and Disability Benefits** – The Occupational Death and Disability Plan is a defined benefit plan. Employees who become totally and permanently disabled from occupational causes may be eligible to receive a monthly disability benefit. Beneficiaries receive benefits when an employee dies from occupational causes before retirement.

**Healthcare Benefits** – The Retiree Major Medical Plan is a defined benefit plan. Employees must have a minimum of ten year of service in order to be eligible for the Major Medical Plan. The Health Reimbursement Arrangement is a defined contribution plan established to reimburse eligible medical from individual savings accounts.

**Funding Policy and Contribution Rates**

The employee contribution rate for the PERS Defined Contribution Plan is set by Alaska Statutes at 8 percent of eligible compensation. Contributions are accounted for in an individual pension account established for each employee and are immediately vested.

The employer contribution rate for the PERS Defined Contribution Plan set by Alaska Statutes at the same rate as the PERS Defined Benefit Plan. The current employer contribution rate is 22 percent and is comprised of five elements: (1) pension; (2) retiree major medical; (3) occupational death and disability; (4) health reimbursement account; and a (5) residual contribution applied as a payment to the PERS Defined Benefit Plan's unfunded liability (DUBL). The City's liability is limited to its employer contributions. Certain rates are set annually on July 1. The table below summarizes the rates in effect during the City's fiscal year.



## Note 3 - Detailed Notes on All Funds (Continued)

	1/1/16 - 6/30/16	7/1/16 - 12/31/16
<i>Employee:</i>		
Pension		
Police Officers and Firefighters	8.00%	8.00%
Other Employees	8.00%	8.00%
<i>Employer:</i>		
Pension		
Police Officers and Firefighters	5.00%	5.00%
Other Employees	5.00%	5.00%
Retiree Major Medical		
Police Officers and Firefighters	1.68%	1.18%
Other Employees	1.68%	1.18%
Occupational Disability & Death:		
Police Officers and Firefighters	1.05%	0.49%
Other Employees	0.22%	0.17%
Health Reimbursement Account:		
Police Officers and Firefighters	\$167.04/month*	\$170.78/month*
Other Employees	\$167.04/month*	\$170.78/month*

\* Fixed dollar amount per employee based on 3% of the average annual compensation of all employees of all employers in the PERS as required under AS 39.30.370.

The contributions rates for the year ended December 31, 2016 were based on the June 30, 2013 roll forward PERS valuation report and the June 30, 2012 PERS actuarial valuation report

The amounts contributed by the City for the PERS Defined Contribution Hybrid Plan for Tier IV for the year ended December 31 were as follows.

	2016	2015	2014
Covered employee payroll	\$ 3,908,223	\$3,690,264	\$3,396,993
Pension contributions	194,181	184,661	169,854
Other postemployment contributions	182,372	185,145	145,655
Total Contributions	\$ 376,553	\$ 369,806	\$ 315,509

**B. International Brotherhood of Electrical Workers**

The International Brotherhood of Electrical Workers (IBEW) retirement plan is a union sponsored defined benefit plan. The plan is funded entirely by employer contributions based upon hourly rates, which are determined by a collective bargaining process. The City's obligation for retirement under the IBEW plan is limited to the amount paid to the Alaska Electrical Trust Fund. The City exercises no fiduciary responsibility over the IBEW plan. Accordingly, the City accounts for the IBEW retirement plan as if it were a defined contribution plan. Employees who are members of the IBEW are eligible to participate immediately upon employment and are fully vested after ten years of service.

Contributions for employees covered under the public works and clerical workers collective bargaining agreement range from 17% up to \$4.07 per hour worked; contributions for employees covered under the Ketchikan Public Utilities collective bargaining agreement range from \$3.09 to \$5.64 per hour for craft employees and \$2.82 to \$5.14 for non-craft employees. The City's total payroll for the year ended December 31, 2016 was \$20,968,178 and payroll for covered employees totaled \$10,720,479. The total amount contributed to the IBEW plan in 2016 was \$1,572,678, which represents 14.7% of the City's current covered payroll.

**Note 3 - Detailed Notes on All Funds (Continued)**

**3-K. Net Investment in Capital Assets**

Net Investment in capital assets on the government-wide statement of net position as of December 31, 2016 are as follows:

	Governmental Activities	Business-type Activities
Cost of capital assets	\$ 274,938,645	\$ 345,775,004
Less accumulated depreciation	(60,362,592)	(163,210,087)
Book value	214,576,053	182,564,917
Less capital related debt	(52,223,904)	(56,909,411)
Plus (Less) bond discount and refunding amounts	(11,305)	(528,852)
Net investment in capital assets	<u>\$ 162,340,844</u>	<u>\$ 125,126,654</u>

**3-L. Deferred Inflows and Outflows of Resources**

Deferred outflows of resources consist of deferred charges from the City's pension plan activity and debt refundings resulting from the difference in the carrying value of the refunded debt and its reacquisition price.

Deferred inflows of resources consist of revenues earned but unavailable for use, from pension plan activity and debt refundings resulting in the difference in the carrying value of the refunded debt and its reacquisition price.

The City's deferred inflows and outflows of resources at December 31, 2016 are as follows:

	Fund Level		Government Wide Level	
	Governmental Funds	Proprietary Funds	Governmental Activities	Business-type Activities
Deferred Outflows				
Outflow due to refunding	\$ -	\$ 185	\$ 20,296	\$ 185
Outflow due to pension accounting	-	920,149	3,135,283	920,149
Total Deferred Outflows	<u>\$ -</u>	<u>\$ 920,334</u>	<u>\$ 3,155,579</u>	<u>\$ 920,334</u>
Deferred Inflows				
Revenue from taxes	\$ 2,133,101	\$ -	\$ -	\$ -
Revenue from services	88,240	-	-	-
Inflow from refunding	-	529,037	31,601	529,037
Inflow from pension accounting	-	51,196	174,238	51,196
Total Deferred Inflows	<u>\$ 2,221,341</u>	<u>\$ 580,233</u>	<u>\$ 205,839</u>	<u>\$ 580,233</u>

Additional information regarding the deferred outflows and deferred inflows of resources related to pension plan activity are included in note 3-J.

**Note 4- Other Notes**

**4-A. Risk Management**

The City is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The City utilizes a self-insurance fund to account for and finance its uninsured risks of loss and insurance deductibles. The Self-Insurance Fund provides coverage up to a maximum of \$25,000 for each property claim, \$75,000 for each general liability claim, and \$100,000 for each employment practices claim. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in two of the past three fiscal years. All funds of the City participate in the risk management program and make payments to the Self-

**Note 4 - Other Notes (Continued)**

Insurance Fund based on the amounts needed to pay insurance and related risk management services, claims paid, claims incurred, but not reported, and to maintain adequate reserves for losses not covered by insurance. As of December 31, 2016, the City had a net position of \$1,740,848 in the Self-Insurance Fund. Claims payable represents estimates of claims incurred but not settled and claims incurred but not reported based upon past experience modified for current trends and information, which approximates the actuarial estimates of the amounts needed to pay the claims. At December 31, 2016 pending claims in the amount of \$143,000 and unpaid incurred claims in the amount of \$365 are included as a liability of the self-insurance fund. Amounts due within one year are \$365.

Changes in the balances of claims liabilities for the years ended December 31, 2016, 2015 and 2014 are as follows:

Date	(1) Beginning of Fiscal Year Liability	(2) Current Year Claims and Changes in Estimates	(3) Claim Payments	(4) End of Fiscal Year Liability
2014	255,623	115,399	112,623	258,399
2015	258,399	31,182	130,410	159,171
2016	159,171	45,481	61,287	143,365

There were no significant reductions in insurance coverage from the prior year.

**4-B. Contingent Liabilities**

Grants - The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. The City believes such disallowances, if any, will be immaterial.

Litigation - The City is a defendant in various lawsuits and a number of claims for damages and personal injury are pending against the City. Although the outcome of these lawsuits and claims is not presently determinable, in the opinion of City's management and legal counsel, the resolution of these contingencies should not have a material adverse effect on the financial condition of the City.

**4-C. Swan Lake Hydroelectric Facility and Related Party Transactions**

The City's electric utility currently operates five hydroelectric and two diesel electric generating plants. The City owns four of the hydroelectric plants and the diesel plants. The fifth hydroelectric plant is the 22.5 mega-watt Swan Lake facility owned by the Southeast Alaska Power Agency (the "SEAPA"), a joint action agency organized under AS 42.45.300 by the City and the municipalities of Wrangell, Alaska and Petersburg, Alaska. The SEAPA is an Alaskan public corporation and an instrumentality of the member utilities, having a legal existence independent of and separate from the member utilities. The agency has no power to bind, obligate or impose any debt, liability, or obligation on any member utility. Each member utility appoints representatives to serve as voting members of the SEAPA's five-member governing board. The City appoints two representatives. Wrangell and Petersburg each appoint one representative. One representative serves at large on a rotating basis. The SEAPA is a jointly governed organization. Members of the jointly governed organization have neither ongoing financial interest nor financial responsibility for that organization.

The City operates and maintains the Swan Lake hydroelectric facility under the terms of a long-term operating agreement with the SEAPA. The City also purchases power from the SEAPA under the terms and conditions of a long-term power sales agreement. In 2016, the SEAPA paid the City \$767,708 to operate the Swan Lake hydroelectric facility. The City paid the SEAPA \$6,247,593 for power purchased from the Swan Lake hydroelectric facility. During 2016, approximately 51% of the City's total electric generation, or 90,444,864 kWh, was produced by the Swan Lake hydroelectric facility. At December 31, 2016, the amount due to the SEAPA was \$1,398,321.

**4-D. Ketchikan Public Utilities-Sale of the Telecommunications Division**

On April 6, 2010, the voters of the City authorized the sale of the Telecommunications Division of Ketchikan Public Utilities for no less than fair market value as determined by an appraiser, subject to City Council approval. The voters also approved the establishment of a rate stabilization fund to account for the net proceeds from the sale. The City has engaged a broker specializing in telecommunications transactions to locate a buyer. Several prospective buyers have approached the City but no offers have been tendered. The City and its broker plan to resume efforts to actively market the telecommunication utility in the summer of 2017.

**4-E. Violation of Stage I Disinfectants/Disinfection Byproducts Rule**

In 2004, the Alaska Department of Environmental Conservation (ADEC) cited the municipal water system owned and operated by the City of Ketchikan d/b/a Ketchikan Public Utilities for exceeding acceptable levels of haloacetic acids. This occurrence was deemed to be a violation of the Stage I Disinfection and Disinfection Byproducts Rule and the City was ordered to correct the violation or begin water filtration. The City entered into a compliance order by consent to construct a facility that uses ultraviolet for primary disinfection and chloramines for residual disinfection. In October 2013, the Stage 2 Disinfection Byproducts Rule went into effect. The new rule raised the standards for disinfection byproducts and pushed KPU further away from compliance. In April 2014, a new addition to the ultraviolet water treatment facility was placed in service using chloramination disinfection which is designed to reduce haloacetic acid levels. While the initial results from operating the new facility showed an improvement in the levels of haloacetic acids, it was determined that the improvement was insufficient to correct violations under the new Stage 2 Disinfection Byproducts Rule. In Addition, it had been determined that the municipal water system's raw water source was experiencing water coliform levels that exceeded acceptable levels. In December 2014, the City entered into a second compliance order by consent with ADEC to construct a two-point chlorination facility in order to further address the issue of elevated haloacetic acid levels in the municipal water system. The two-point chlorination facility was placed in service in June 2016. The initial test samples of water treated by this new facility have been promising but the critical testing will take place in the summer and fall of 2017. Warmer weather generally raises the amount of dissolved organics present in the incoming raw water which, after disinfection, also increases the level of haloacetic acids present in the municipal water system. If these measures fail to bring the City into compliance with the Stage 2 Disinfection Byproducts Rule, the City may be required to construct and operate a water filtration plant. Preliminary estimates indicate that a capital investment of \$40 million will be needed to construct a water filtration plant and \$400,000 annually will be required to operate it.

**4-F. Tax Abatements**

In 2005, the City entered into a 30-year agreement with Alaska Industrial Development and Export Authority and the operator of the Alaska ship and dry-dock, currently Vigor Alaska LLC, to provide tax relief per AS 29.45.050. The tax relief is intended to support the growth of Ketchikan's maritime industry and provide economic diversity and strength. The property tax abatement in 2016 is \$475,772.

The City has also agreed to provide partial property tax relief to housing agencies for the purpose of encouraging the development of low income housing. The property taxes paid is equal to 10% of rents received less utilities. The total 2016 tax abatement for this program is \$56,112. The current participants of this program are Ketchikan Indian Community and Tlingit Haida Regional Housing Authority.



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**Required Supplementary Information**  
**City of Ketchikan, Alaska**  
**General Fund**  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2016*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Reclassifications and Encumbrances</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>						
Taxes						
Real & personal property taxes	\$ 5,852,725	\$ 5,852,725	\$ 6,002,812	\$ -	\$ 6,002,812	\$ 150,087
Automobile & boat taxes	45,000	45,000	47,749	-	47,749	2,749
Penalty & interest	60,000	60,000	38,704	-	38,704	(21,296)
Senior citizen local contribution	(436,400)	(436,400)	(458,116)	-	(458,116)	(21,716)
Sales tax	4,293,750	4,293,750	4,256,103	-	4,256,103	(37,647)
Payments in lieu of taxes	10,000	10,000	35,789	-	35,789	25,789
	<u>9,825,075</u>	<u>9,825,075</u>	<u>9,923,041</u>	<u>-</u>	<u>9,923,041</u>	<u>97,966</u>
Payments in lieu of taxes						
Ketchikan public utilities fund	786,000	786,000	-	786,000	786,000	-
Port fund	319,000	319,000	-	319,000	319,000	-
Wastewater services fund	80,000	80,000	-	80,000	80,000	-
	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>	<u>1,185,000</u>	<u>1,185,000</u>	<u>-</u>
Licenses and permits						
Entertainment	500	500	-	-	-	(500)
Itinerant merchant	-	-	-	-	-	-
Building permits	73,000	73,000	191,629	-	191,629	118,629
Other	1,600	1,600	1,885	-	1,885	285
	<u>75,100</u>	<u>75,100</u>	<u>193,514</u>	<u>-</u>	<u>193,514</u>	<u>118,414</u>
Intergovernmental						
State fire grants	57,324	57,324	6,158	-	6,158	(51,166)
Federal fire grants	81,050	92,092	69,490	-	69,490	(22,602)
Raw fish tax	-	-	-	-	-	-
Liquor licenses tax	30,000	30,000	44,000	-	44,000	14,000
Other state revenues	420,150	427,050	720,070	(359,155)	360,915	(66,135)
Federal revenues	-	-	5,048	-	5,048	5,048
Foundation grant museum	35,000	35,000	-	-	-	(35,000)
	<u>623,524</u>	<u>641,466</u>	<u>844,766</u>	<u>(359,155)</u>	<u>485,611</u>	<u>(155,855)</u>
Charges for services						
Ambulance	575,000	575,000	589,985	-	589,985	14,985
Rentals	14,000	14,000	19,130	-	19,130	5,130
Parking fees	80,000	80,000	86,755	-	86,755	6,755
Cemetery	800	800	725	-	725	(75)
Library services	657,085	657,085	588,293	-	588,293	(68,792)
Museum services	212,900	217,400	252,579	-	252,579	35,179
E-911 emergency dispatch services	420,000	420,000	403,482	-	403,482	(16,518)
Civic center services	98,200	98,200	109,595	-	109,595	11,395
Other charges	96,100	96,100	58,128	-	58,128	(37,972)
	<u>2,154,085</u>	<u>2,158,585</u>	<u>2,108,672</u>	<u>-</u>	<u>2,108,672</u>	<u>(49,913)</u>
Fines and forfeitures						
Parking fines	80,000	80,000	89,835	-	89,835	9,835
Other fines	30,000	30,000	17,217	-	17,217	(12,783)
Court deposits	32,000	32,000	25,142	-	25,142	(6,858)
	<u>142,000</u>	<u>142,000</u>	<u>132,194</u>	<u>-</u>	<u>132,194</u>	<u>(9,806)</u>
Investment earnings	1,000	1,000	1,355	-	1,355	355
Other revenue						
Miscellaneous	86,600	86,820	57,423	-	57,423	(29,397)
Interdepartmental charges	3,509,865	3,509,865	3,141,701	-	3,141,701	(368,164)
<b>Total Revenues</b>	<u>17,602,249</u>	<u>17,624,911</u>	<u>16,402,666</u>	<u>825,845</u>	<u>17,228,511</u>	<u>(396,400)</u>

**Required Supplementary Information**  
**City of Ketchikan, Alaska**  
**General Fund**  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual (Cont'd)*  
*For the Year Ended December 31, 2016*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Reclassifications and Encumbrances</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Mayor and council	176,980	195,101	167,909	-	167,909	27,192
City Clerk	289,805	290,805	297,288	(6,743)	290,545	260
Law	347,238	361,738	306,568	(2,532)	304,036	57,702
City Manager	699,059	703,934	646,739	(19,445)	627,294	76,640
Finance	1,960,594	1,960,594	1,811,370	(22,632)	1,788,738	171,856
Information Technology	1,096,723	1,096,723	1,047,499	(20,685)	1,026,814	69,909
	<u>4,570,399</u>	<u>4,608,895</u>	<u>4,277,373</u>	<u>(72,037)</u>	<u>4,205,336</u>	<u>403,559</u>
Public safety						
Fire	3,387,599	3,449,641	3,407,219	(102,209)	3,305,010	144,631
Police	4,891,974	4,983,620	4,802,987	(139,120)	4,663,867	319,753
	<u>8,279,573</u>	<u>8,433,261</u>	<u>8,210,206</u>	<u>(241,329)</u>	<u>7,968,877</u>	<u>464,384</u>
Culture						
Library	1,417,656	1,424,556	1,279,725	(338)	1,279,387	145,169
Museum	963,456	968,176	847,685	1,274	848,959	119,217
Civic Center	449,811	449,811	435,015	(7,168)	427,847	21,964
	<u>2,830,923</u>	<u>2,842,543</u>	<u>2,562,425</u>	<u>(6,232)</u>	<u>2,556,193</u>	<u>286,350</u>
Health and welfare						
Public Health	14,325	14,325	10,226	-	10,226	4,099
Public works						
Engineering	1,804,022	1,804,022	1,537,232	(17,329)	1,519,903	284,119
Streets	1,810,674	1,810,674	1,353,713	(9,481)	1,344,232	466,442
Cemetery	81,485	81,485	70,426	2,787	73,213	8,272
Garage	533,478	533,478	485,764	(2,157)	483,607	49,871
Building Maintenance	432,520	450,337	386,381	7,027	393,408	56,929
	<u>4,662,179</u>	<u>4,679,996</u>	<u>3,833,516</u>	<u>(19,153)</u>	<u>3,814,363</u>	<u>865,633</u>
<b>Total Expenditures</b>	<u>20,357,399</u>	<u>20,579,020</u>	<u>18,893,746</u>	<u>(338,751)</u>	<u>18,554,995</u>	<u>2,024,025</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(2,755,150)</u>	<u>(2,954,109)</u>	<u>(2,491,080)</u>	<u>1,164,596</u>	<u>(1,326,484)</u>	<u>1,627,625</u>



Required Supplementary Information  
City of Ketchikan, Alaska  
General Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Cont'd)  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Other Financing Sources (Uses)</b>						
Transfers in						
Sales tax hospital and other public works fund	420,000	420,000	420,000	-	420,000	-
Sales tax public works fund	2,000,000	2,000,000	2,000,000	-	2,000,000	-
Transient occupancy tax fund	351,611	351,611	318,251	-	318,251	(33,360)
Shoreline area fund	6,374	6,374	6,374	-	6,374	-
Bayview cemetery fund	5,000	5,000	5,000	-	5,000	-
Commercial passenger vessel tax	88,250	88,250	25,417	-	25,417	(62,833)
Ketchikan public utilities fund	-	-	786,000	(786,000)	-	-
Port fund	-	-	319,000	(319,000)	-	-
Wastewater services fund	-	-	80,000	(80,000)	-	-
Transfers out						
GO bond debt service fund	(663,064)	(663,064)	(663,047)	-	(663,047)	17
Community grant fund	(185,973)	(185,973)	(185,973)	-	(185,973)	-
Port fund	-	(19,258)	(19,258)	-	(19,258)	-
Sale of capital assets	10,000	10,000	-	-	-	(10,000)
<b>Total Other Financing Sources (Uses)</b>	<u>2,032,198</u>	<u>2,012,940</u>	<u>3,091,764</u>	<u>(1,185,000)</u>	<u>1,906,764</u>	<u>(106,176)</u>
<b>Net Change in Fund Balances</b>	<u>(722,952)</u>	<u>(941,169)</u>	<u>600,684</u>	<u>(20,404)</u>	<u>580,280</u>	<u>1,565,729</u>
<b>Prior Year Encumbrances Returned</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,280</u>	<u>44,280</u>	<u>44,280</u>
<b>Fund Balances Beginning of Year</b>	<u>4,280,045</u>	<u>4,280,045</u>	<u>5,708,614</u>	<u>(296,390)</u>	<u>5,412,224</u>	<u>1,132,179</u>
<b>Fund Balances End of Year</b>	<u>\$ 3,557,093</u>	<u>\$ 3,338,876</u>	<u>\$ 6,309,298</u>	<u>\$ (272,514)</u>	<u>\$ 6,036,784</u>	<u>\$ 2,742,188</u>



**City of Ketchikan, Alaska**  
**Notes to Required Supplementary Information**  
**For the Year Ended December 31, 2016**

**Note 1 – Budgetary Basis**

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that payments in lieu of taxes from the City's enterprise funds are treated as tax revenue, outstanding encumbrances are reported as expenditures and payments made by the State of Alaska to the Alaska Public Employees Retirement System on behalf of the City are not included in the adopted budget for the General Fund. When two or more of the GAAP to budget adjustments exist the schedule below identifies the individual amounts for each.

	GAAP to Budget Adjustments			
	Encumbrances		On Behalf Payments	Total
	Prior Year Activity	Current Year Activity		
General Government				
Mayor and Council	\$ (33,250)	\$ 33,250	\$ -	\$ -
City Clerk	(7,412)	7,750	(7,081)	(6,743)
Law	-	-	(2,532)	(2,532)
City Manager	-	-	(19,445)	(19,445)
Finance	(59,500)	76,250	(39,382)	(22,632)
Information Technology	(1,603)	-	(19,082)	(20,685)
Total General Government	<u>(101,765)</u>	<u>117,250</u>	<u>(87,522)</u>	<u>(72,037)</u>
Public Safety				
Fire	(14,116)	29	(88,122)	(102,209)
Police	(13,800)	6,573	(131,893)	(139,120)
Total Public Safety	<u>(27,916)</u>	<u>6,602</u>	<u>(220,015)</u>	<u>(241,329)</u>
Culture				
Library	(22,106)	32,330	(10,562)	(338)
Museum	(7,075)	17,297	(8,948)	1,274
Civic Center	-	-	(7,168)	(7,168)
Total Culture	<u>(29,181)</u>	<u>49,627</u>	<u>(26,678)</u>	<u>(6,232)</u>
Public Works				
Engineering	(4,745)	7,320	(19,904)	(17,329)
Streets	(8,351)	-	(1,130)	(9,481)
Cemetery	(40,633)	43,420	-	2,787
Garage	-	1,749	(3,906)	(2,157)
Building Maintenance	(3,900)	10,927	-	7,027
Total Public Works	<u>(57,629)</u>	<u>63,416</u>	<u>(24,940)</u>	<u>(19,153)</u>
<b>Total GAAP to Budget Adjustments</b>	<u><u>\$ (216,491)</u></u>	<u><u>\$ 236,895</u></u>	<u><u>\$ (359,155)</u></u>	<u><u>\$ (338,751)</u></u>

**City of Ketchikan, Alaska**  
***Schedule of the City's Proportionate Share of the Net Pension Liability***  
***Public Employees Retirement System***  
***For the Year Ending December 31, 2016 and 2015***

	2016	2015
City's proportion of the net pension liability	0.3618%	0.3022%
City's proportionate share of the net pension liability	\$ 20,224,244	\$ 14,655,785
State's proportional share of the net pension liability associated with the City	2,550,121	3,925,957
Total Net Pension Liability	<u>\$ 22,774,365</u>	<u>\$ 18,581,742</u>
City's covered employee payroll	\$ 5,469,103	\$ 5,504,557
City's portionate share of the net pension liability as a percentage of covered payroll	369.791%	266.248%
Plan fiduciary net postion as a percentage of total pension liability	59.55%	63.96%

Note: This schedule is intended to show information for a 10-year period as it becomes available.

The data provided in the schedule is based as of the measurement date of the PERS net pension liability, which is as of June 30 of the City's calendar year.

**City of Ketchikan, Alaska**  
**Schedule of City Contributions**  
**Public Employees Retirement System**  
**For the Year Ending December 31, 2016 and 2015**

	2016	2015
Contractually required contribution	\$ 1,066,834	\$ 960,680
Contributions in relation to the contractually required contributions	(1,066,834)	(960,680)
Contribution deficiency (excess)	-	-
City's covered employee payroll	\$ 5,366,360	\$ 5,430,257
Contributions as a percentage of covered-employee payroll	19.88%	17.69%

Note: This schedule is intended to show information for a 10-year period as it becomes available.

## GOVERNMENTAL FUNDS

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - by Fund Type**  
**December 31, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 5,013,377	\$ 3,334,543	\$ 8,347,920
Restricted cash:			
Bond construction funds	-	488,347	488,347
Property seizure funds	174,097	-	174,097
Commercial passenger excise tax funds	1,802,683	156,814	1,959,497
Receivables:			
Accounts	365,350	-	365,350
Taxes	63,313	-	63,313
Intergovernmental	-	3,022,910	3,022,910
Advances from other funds	-	156,934	156,934
Unbilled revenue	66,184	-	66,184
<b>Total Assets</b>	<b>\$ 7,485,004</b>	<b>\$ 7,159,548</b>	<b>\$ 14,644,552</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 254,414	\$ 2,683,055	\$ 2,937,469
Customer deposits payable	10,192	-	10,192
Interfund payable	-	266,100	266,100
Unearned revenue	156,129	-	156,129
Advances to other funds	-	241,547	241,547
<b>Total Liabilities</b>	<b>420,735</b>	<b>3,190,702</b>	<b>3,611,437</b>
<b>Deferred Inflows of Resources</b>	<b>63,313</b>	<b>-</b>	<b>63,313</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	174,097	-	174,097
Commercial passenger excise tax	1,802,683	156,814	1,959,497
Bond construction funds	-	488,347	488,347
Assigned:			
Subsequent years budget	287,925	-	287,925
Culture and tourism	533,360	-	533,360
Collection and disposal of solid waste	2,953,670	-	2,953,670
Cemetery operations	83,820	-	83,820
Harbor operations	1,165,401	-	1,165,401
Development of community facilities	-	3,051,642	3,051,642
Harbor construction	-	197,422	197,422
Public works projects	-	74,621	74,621
<b>Total Fund Balances</b>	<b>7,000,956</b>	<b>3,968,846</b>	<b>10,969,802</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,485,004</b>	<b>\$ 7,159,548</b>	<b>\$ 14,644,552</b>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds - by Fund Type**  
**For the Year Ended December 31, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 497,374	\$ -	\$ -	\$ 497,374
Intergovernmental	2,175,287	-	3,867,923	6,043,210
Charges for services	4,624,546	-	-	4,624,546
Fines and forfeitures	9,384	-	-	9,384
Investment earnings	1,714	-	18,283	19,997
Contributions	-	-	4,117	4,117
Miscellaneous	3,127	129,387	-	132,514
<b>Total Revenues</b>	<b>7,311,432</b>	<b>129,387</b>	<b>3,890,323</b>	<b>11,331,142</b>
<b>Expenditures</b>				
<b>Current:</b>				
Public works	2,979,338	-	-	2,979,338
Port and harbor	1,129,112	-	-	1,129,112
<b>Debt Service:</b>				
Principal retirement	90,000	1,265,000	-	1,355,000
Interest and fiscal charges	122,478	2,284,500	-	2,406,978
Debt issuance costs	-	-	17,322	17,322
<b>Capital Outlay</b>	<b>82,341</b>	<b>-</b>	<b>8,078,866</b>	<b>8,161,207</b>
<b>Total Expenditures</b>	<b>4,403,269</b>	<b>3,549,500</b>	<b>8,096,188</b>	<b>16,048,957</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,908,163</b>	<b>(3,420,113)</b>	<b>(4,205,865)</b>	<b>(4,717,815)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of capital assets	-	-	45,000	45,000
Issuance of bonds	-	-	1,765,000	1,765,000
Premiums from sale of bonds	-	-	252,887	252,887
Transfers in	4,683	3,420,113	212,286	3,637,082
Transfers out	(560,954)	-	(198,999)	(759,953)
<b>Total Other Financing Sources (Uses)</b>	<b>(556,271)</b>	<b>3,420,113</b>	<b>2,076,174</b>	<b>4,940,016</b>
<b>Net Change in Fund Balances</b>	<b>2,351,892</b>	<b>-</b>	<b>(2,129,691)</b>	<b>222,201</b>
<b>Fund Balances Beginning of Year</b>	<b>4,649,064</b>	<b>-</b>	<b>6,098,537</b>	<b>10,747,601</b>
<b>Fund Balances End of Year</b>	<b>\$ 7,000,956</b>	<b>\$ -</b>	<b>\$ 3,968,846</b>	<b>\$ 10,969,802</b>

## NONMAJOR SPECIAL REVENUE FUNDS

Transient Tax Fund – This fund is used to account for the proceeds of the seven (7) percent transient occupancy tax levied on hotel rent under Section 3.28 of the Ketchikan Municipal Code. These funds must be used primarily for the purpose of promoting the City but may be used for other purposes as determined by the City Council.

Solid Waste Services Fund – This fund is used to account for the revenues received from the collection and disposal of solid waste and the related expenditure of the funds.

Ketchikan Boat Harbor Fund – This fund is used to account for the revenues received from the operation of the boat harbor facilities. These revenues must be used to pay the cost of maintenance, operation and supervision of the City's boat harbor facilities as specified in Section 14.04.020 of the Ketchikan Municipal Code.

Bayview Cemetery Fund – This fund is used to account for revenues received that are dedicated to support the operation of the Bayview Cemetery and the related expenditure in these funds.

Commercial Passenger Vessel Tax Fund – This fund is used to account for revenues received from the State of Alaska and are dedicated for the following use per AS 43.52.200 (1) improve port and harbor infrastructure, (2) provide services to commercial passenger vessels and the passengers on board those vessels, or (3) improve the safety and efficiency of the interstate and foreign commerce activities in which the vessels and the passengers on board those vessels are engaged.

Federal and State Grant Fund – This fund is used to account for the receipt of grant revenues and the related expenditures.

US Marshall Property Seizure Fund – This fund is used to account for revenues received from the seizure of assets during drug enforcement operations that are dedicated to law enforcement activities.



**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2016**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Assets</b>			
Cash and temporary investments	\$ 533,360	\$ 3,039,345	\$ 1,315,952
Restricted cash	-	-	-
Receivables:			
Accounts	-	326,128	39,222
Taxes	63,313	-	-
Unbilled revenue	-	66,184	-
<b>Total Assets</b>	<b>\$ 596,673</b>	<b>\$ 3,431,657</b>	<b>\$ 1,355,174</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 230,962	\$ 23,452
Customer deposits payable	-	-	10,192
Unearned revenue	-	-	156,129
<b>Total Liabilities</b>	<b>-</b>	<b>230,962</b>	<b>189,773</b>
<b>Deferred Inflows of Resources</b>	<b>63,313</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>			
Restricted:			
Law enforcement	-	-	-
Commercial passenger excise tax			
Assigned:			
Subsequent years budget	-	247,025	-
Culture and tourism	533,360	-	-
Collection and disposal of solid waste	-	2,953,670	-
Cemetery operations	-	-	-
Harbor operations	-	-	1,165,401
<b>Total Fund Balances</b>	<b>533,360</b>	<b>3,200,695</b>	<b>1,165,401</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 596,673</b>	<b>\$ 3,431,657</b>	<b>\$ 1,355,174</b>

<b>Bayview Cemetery</b>	<b>Commercial Passenger Vessel Tax</b>	<b>Forfeitures And Property Seizures</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ 124,720	\$ -	\$ -	\$ 5,013,377
-	1,802,683	174,097	1,976,780
-	-	-	365,350
-	-	-	63,313
-	-	-	66,184
<u>\$ 124,720</u>	<u>\$ 1,802,683</u>	<u>\$ 174,097</u>	<u>\$ 7,485,004</u>
\$ -	\$ -	\$ -	\$ 254,414
-	-	-	10,192
-	-	-	156,129
-	-	-	420,735
-	-	-	63,313
-	-	174,097	174,097
-	1,802,683	-	1,802,683
40,900	-	-	287,925
-	-	-	533,360
-	-	-	2,953,670
83,820	-	-	83,820
-	-	-	1,165,401
<u>124,720</u>	<u>1,802,683</u>	<u>174,097</u>	<u>7,000,956</u>
<u>\$ 124,720</u>	<u>\$ 1,802,683</u>	<u>\$ 174,097</u>	<u>\$ 7,485,004</u>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2016**

	<b>Transient Tax</b>	<b>Solid Waste Services</b>	<b>Ketchikan Boat Harbor</b>
<b>Revenues</b>			
Taxes	\$ 497,374	\$ -	\$ -
Intergovernmental	-	3,906	29,748
Charges for services	-	3,142,540	1,475,000
Fines and forfeitures	-	-	2,885
Investment earnings	87	781	345
Miscellaneous	-	3,115	12
<b>Total Revenues</b>	<b>497,461</b>	<b>3,150,342</b>	<b>1,507,990</b>
<b>Expenditures</b>			
<b>Current:</b>			
Public works	-	2,966,588	-
Port and harbors	-	-	1,129,112
<b>Debt Service:</b>			
Principal retirement	-	-	90,000
Interest and fiscal charges	-	-	122,478
<b>Capital Outlay</b>	<b>-</b>	<b>72,396</b>	<b>9,945</b>
<b>Total Expenditures</b>	<b>-</b>	<b>3,038,984</b>	<b>1,351,535</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>497,461</b>	<b>111,358</b>	<b>156,455</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	4,683
Transfers out	(318,251)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(318,251)</b>	<b>-</b>	<b>4,683</b>
<b>Net Change in Fund Balances</b>	<b>179,210</b>	<b>111,358</b>	<b>161,138</b>
<b>Fund Balances Beginning Of Year</b>	<b>354,150</b>	<b>3,089,337</b>	<b>1,004,263</b>
<b>Fund Balances End Of Year</b>	<b>\$ 533,360</b>	<b>\$ 3,200,695</b>	<b>\$ 1,165,401</b>

<b>Bayview Cemetery</b>	<b>Commercial Passenger Vessel tax</b>	<b>US Marshall Property Seizure</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ 497,374
-	2,141,633	-	2,175,287
7,006	-	-	4,624,546
-	-	6,499	9,384
30	425	46	1,714
-	-	-	3,127
7,036	2,142,058	6,545	7,311,432
12,750	-	-	2,979,338
-	-	-	1,129,112
-	-	-	90,000
-	-	-	122,478
-	-	-	82,341
12,750	-	-	4,403,269
(5,714)	2,142,058	6,545	2,908,163
-	-	-	4,683
(5,000)	(237,703)	-	(560,954)
(5,000)	(237,703)	-	(556,271)
(10,714)	1,904,355	6,545	2,351,892
135,434	(101,672)	167,552	4,649,064
\$ 124,720	\$ 1,802,683	\$ 174,097	\$ 7,000,956

City of Ketchikan, Alaska  
*Transient Tax Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2016*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 370,000	\$ 370,000	\$ 497,374	\$ -	\$ 497,374	\$ 127,374
Investment earnings	-	-	87	-	87	87
<b>Total Revenues</b>	<u>370,000</u>	<u>370,000</u>	<u>497,461</u>	<u>-</u>	<u>497,461</u>	<u>127,461</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(351,611)	(351,611)	(318,251)	-	(318,251)	33,360
<b>Total Other Financing Uses</b>	<u>(351,611)</u>	<u>(351,611)</u>	<u>(318,251)</u>	<u>-</u>	<u>(318,251)</u>	<u>33,360</u>
<b>Net Change in Fund Balances</b>	<u>18,389</u>	<u>18,389</u>	<u>179,210</u>	<u>-</u>	<u>179,210</u>	<u>160,821</u>
<b>Fund Balances Beginning of Year</b>	<u>161,469</u>	<u>161,469</u>	<u>354,150</u>	<u>-</u>	<u>354,150</u>	<u>192,681</u>
<b>Fund Balances End of Year</b>	<u>\$ 179,858</u>	<u>\$ 179,858</u>	<u>\$ 533,360</u>	<u>\$ -</u>	<u>\$ 533,360</u>	<u>\$ 353,502</u>

City of Ketchikan, Alaska  
Solid Waste Services Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ -	\$ -	\$ 3,906	\$ (3,906)	\$ -	\$ -
Charges for services	3,364,350	3,364,350	3,142,540	-	3,142,540	(221,810)
Investment earnings	-	-	781	-	781	781
Miscellaneous	-	-	3,115	-	3,115	3,115
Interdepartmental - equipment rental	42,150	42,150	-	-	-	(42,150)
<b>Total Revenues</b>	<b>3,406,500</b>	<b>3,406,500</b>	<b>3,150,342</b>	<b>(3,906)</b>	<b>3,146,436</b>	<b>(260,064)</b>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	3,148,702	3,159,752	2,966,588	(3,906)	2,962,682	197,070
<b>Capital Outlay</b>	<b>550,500</b>	<b>539,450</b>	<b>72,396</b>	<b>157,148</b>	<b>229,544</b>	<b>309,906</b>
<b>Total Expenditures</b>	<b>3,699,202</b>	<b>3,699,202</b>	<b>3,038,984</b>	<b>153,242</b>	<b>3,192,226</b>	<b>506,976</b>
<b>Net Change in Fund Balances</b>	<b>(292,702)</b>	<b>(292,702)</b>	<b>111,358</b>	<b>(157,148)</b>	<b>(45,790)</b>	<b>246,912</b>
<b>Prior Year Encumbrances Returned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,090</b>	<b>26,090</b>	<b>26,090</b>
<b>Fund Balances Beginning of Year</b>	<b>2,983,673</b>	<b>2,983,673</b>	<b>3,089,337</b>	<b>(61,297)</b>	<b>3,028,040</b>	<b>44,367</b>
<b>Fund Balances End of Year</b>	<b>\$ 2,690,971</b>	<b>\$ 2,690,971</b>	<b>\$ 3,200,695</b>	<b>\$ (192,355)</b>	<b>\$ 3,008,340</b>	<b>\$ 317,369</b>

City of Ketchikan, Alaska  
Ketchikan Boat Harbor Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 30,000	\$ 30,000	\$ 29,748	\$ (14,083)	\$ 15,665	\$ (14,335)
Charges for services	1,421,345	1,421,345	1,475,000	-	1,475,000	53,655
Fines and forfeitures	6,000	6,000	2,885	-	2,885	(3,115)
Investment earnings	-	-	345	-	345	345
Miscellaneous	-	-	12	-	12	12
<b>Total Revenues</b>	<b>1,457,345</b>	<b>1,457,345</b>	<b>1,507,990</b>	<b>(14,083)</b>	<b>1,493,907</b>	<b>36,562</b>
<b>Expenditures</b>						
<b>Current:</b>						
Port and harbor	1,158,110	1,171,810	1,129,112	(22,151)	1,106,961	64,849
<b>Debt Service:</b>						
Principal retirement	166,800	166,800	90,000	-	90,000	76,800
Interest and fiscal charges	206,900	206,900	122,478	-	122,478	84,422
<b>Capital Outlay</b>			9,945	(9,945)	-	-
<b>Total Expenditures</b>	<b>1,531,810</b>	<b>1,545,510</b>	<b>1,351,535</b>	<b>(32,096)</b>	<b>1,319,439</b>	<b>226,071</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(74,465)</b>	<b>(88,165)</b>	<b>156,455</b>	<b>18,013</b>	<b>174,468</b>	<b>262,633</b>
<b>Other Financing Sources</b>						
Transfer in harbor improvements fund	-	-	4,683	-	4,683	4,683
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>4,683</b>	<b>-</b>	<b>4,683</b>	<b>4,683</b>
<b>Net Change in Fund Balances</b>	<b>(74,465)</b>	<b>(88,165)</b>	<b>161,138</b>	<b>18,013</b>	<b>179,151</b>	<b>267,316</b>
<b>Fund Balances Beginning of Year</b>	<b>831,494</b>	<b>831,494</b>	<b>1,004,263</b>	<b>(27,416)</b>	<b>976,847</b>	<b>145,353</b>
<b>Fund Balances End of Year</b>	<b>\$ 757,029</b>	<b>\$ 743,329</b>	<b>\$ 1,165,401</b>	<b>\$ (9,403)</b>	<b>\$ 1,155,998</b>	<b>\$ 412,669</b>



City of Ketchikan, Alaska  
*Bayview Cemetery Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2016*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services	\$ 16,500	\$ 16,500	\$ 7,006	\$ -	\$ 7,006	\$ (9,494)
Investment earnings	-	-	30	-	30	30
<b>Total Revenues</b>	<u>16,500</u>	<u>16,500</u>	<u>7,036</u>	<u>-</u>	<u>7,036</u>	<u>(9,464)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public works	<u>39,000</u>	<u>39,000</u>	<u>12,750</u>	<u>18,850</u>	<u>31,600</u>	<u>7,400</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(22,500)</u>	<u>(22,500)</u>	<u>(5,714)</u>	<u>(18,850)</u>	<u>(24,564)</u>	<u>(2,064)</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
<b>Total Other Financing Sources</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(27,500)</u>	<u>(27,500)</u>	<u>(10,714)</u>	<u>(18,850)</u>	<u>(29,564)</u>	<u>(2,064)</u>
<b>Fund Balances Beginning of Year</b>	<u>127,680</u>	<u>127,680</u>	<u>135,434</u>	<u>(5,500)</u>	<u>129,934</u>	<u>2,254</u>
<b>Fund Balances End of Year</b>	<u>\$ 100,180</u>	<u>\$ 100,180</u>	<u>\$ 124,720</u>	<u>\$ (24,350)</u>	<u>\$ 100,370</u>	<u>\$ 190</u>

City of Ketchikan, Alaska  
Commercial Passenger Vessel Tax Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 2,030,000	\$ 2,030,000	\$ 2,141,633	\$ -	\$ 2,141,633	\$ 111,633
Investment earnings	-	-	425	-	425	425
<b>Total Revenues</b>	<u>2,030,000</u>	<u>2,030,000</u>	<u>2,142,058</u>	<u>-</u>	<u>2,142,058</u>	<u>112,058</u>
<b>Expenditures</b>						
<b>Current:</b>						
Tourism	40,000	40,000	-	-	-	40,000
<b>Excess of Revenues Over Expenditures</b>	<u>1,990,000</u>	<u>1,990,000</u>	<u>2,142,058</u>	<u>-</u>	<u>2,142,058</u>	<u>152,058</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(88,250)	(88,250)	(25,417)	-	(25,417)	62,833
Major capital improvements fund	(395,000)	(410,363)	(207,286)	-	(207,286)	203,077
Harbor improvements fund	-	(5,000)	(5,000)	-	(5,000)	-
<b>Total Other Financing Uses</b>	<u>(483,250)</u>	<u>(503,613)</u>	<u>(237,703)</u>	<u>-</u>	<u>(237,703)</u>	<u>265,910</u>
<b>Net Change in Fund Balances</b>	<u>1,506,750</u>	<u>1,486,387</u>	<u>1,904,355</u>	<u>-</u>	<u>1,904,355</u>	<u>417,968</u>
<b>Fund Balances Beginning of Year</b>	<u>(102,613)</u>	<u>(102,613)</u>	<u>(101,672)</u>	<u>-</u>	<u>(101,672)</u>	<u>941</u>
<b>Fund Balances End of Year</b>	<u>\$ 1,404,137</u>	<u>\$ 1,383,774</u>	<u>\$ 1,802,683</u>	<u>\$ -</u>	<u>\$ 1,802,683</u>	<u>\$ 418,909</u>

City of Ketchikan, Alaska  
Federal and State Grant Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 175,800	\$ 175,800	\$ -	\$ -	\$ -	\$ (175,800)
<b>Expenditures</b>						
<b>Current:</b>						
Public safety	175,800	175,800	-	-	-	175,800
Health and welfare	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>175,800</u>	<u>175,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,800</u>
<b>Excess of Revenues Over Expenditures</b>	-	-	-	-	-	-
<b>Fund Balances Beginning of Year</b>	-	-	-	-	-	-
<b>Fund Balances End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Ketchikan, Alaska  
*Forfeitures And Property Seizures Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2016*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Fines & Forfeitures	\$ 15,000	\$ 15,000	\$ 6,499	\$ -	\$ 6,499	\$ (8,501)
Investment earnings	-	-	46		46	46
<b>Total Revenues</b>	<u>15,000</u>	<u>15,000</u>	<u>6,545</u>	<u>-</u>	<u>6,545</u>	<u>(8,455)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Public safety	-	-	-	-	-	-
<b>Excess of Revenues Over Expenditures</b>	15,000	15,000	6,545	-	6,545	(8,455)
<b>Net Change in Fund Balances</b>	15,000	15,000	6,545	-	6,545	(8,455)
<b>Fund Balances Beginning of Year</b>	186,110	186,110	167,552	-	167,552	(18,558)
<b>Fund Balances End of Year</b>	<u>\$ 201,110</u>	<u>\$ 201,110</u>	<u>\$ 174,097</u>	<u>\$ -</u>	<u>\$ 174,097</u>	<u>\$ (27,013)</u>

## NONMAJOR DEBT SERVICE FUNDS

General Obligation Bond Debt Service Fund – This fund is used to accumulate funds for the payment of principal and interest on general obligation bonds not accounted for in enterprise funds.

**City of Ketchikan, Alaska**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Debt Service Fund**  
**For the Year Ended December 31, 2016**

	<b>General Obligation Bond Debt Service</b>
<b>Revenues</b>	
Miscellaneous income	\$ 129,387
<b>Expenditures</b>	
<b>Debt Service:</b>	
Principal retirement	1,265,000
Interest and fiscal charges	2,284,500
<b>Total Expenditures</b>	3,549,500
<b>Deficiency of Revenues Under Expenditures</b>	(3,420,113)
<b>Other Financing Sources</b>	
Transfers in	
General fund	663,047
Sales tax hospital & other public works fund	2,562,750
Community facilities development fund	194,316
<b>Total Other Financing Sources</b>	3,420,113
<b>Net Change in Fund Balances</b>	-
<b>Fund Balances Beginning of Year</b>	-
<b>Fund Balances End of Year</b>	\$ -

**City of Ketchikan, Alaska**  
**General Obligation Bond Debt Service Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Miscellaneous income	\$ 129,387	\$ 129,387	\$ 129,387	\$ -
<b>Expenditures</b>				
<b>Debt Service:</b>				
Principal retirement	1,265,000	1,265,000	1,265,000	-
Interest and fiscal charges	2,284,501	2,284,501	2,284,500	1
<b>Total Expenditures</b>	<u>3,549,501</u>	<u>3,549,501</u>	<u>3,549,500</u>	<u>1</u>
<b>Other Financing Sources</b>				
Transfers in				
General fund	663,064	663,064	663,047	(17)
Sales tax hospital & other public works fund	2,562,750	2,562,750	2,562,750	-
Community facilities development fund	194,300	194,300	194,316	16
<b>Total Other Financing Sources</b>	<u>3,420,114</u>	<u>3,420,114</u>	<u>3,420,113</u>	<u>(1)</u>
<b>Net Change in Fund Balances</b>	-	-	-	-
<b>Fund Balances Beginning of Year</b>	-	-	-	-
<b>Fund Balances End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>





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## NONMAJOR CAPITAL IMPROVEMENT FUND

Major Capital Improvements Fund – This fund is used to account for the improvement, acquisition and construction of major capital assets as determined by the City Council.

Harbor Improvements Fund – This fund is used to account for the improvement, acquisition and construction of harbor facilities.

Community Facilities Development Fund – This fund is used to account for the acquisition and construction of major public facilities.

## MAJOR CAPITAL IMPROVEMENT FUND <sup>1</sup>

Hospital Construction Fund – This fund is used to account for the construction of improvements to the Ketchikan Medical Center.

<sup>1</sup>*This major fund schedule is provided for budgetary comparison purposes only.*

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Fund**  
**December 31, 2016**

	<b>Major Capital Improvements</b>	<b>Harbor Improvements</b>	<b>Community Facilities Development</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ 439,835	\$ 2,894,708	\$ 3,334,543
Restricted cash:				
Bond construction funds	-	488,347	-	488,347
Commercial passenger excise tax funds	155,881	933	-	156,814
Receivables:				
Intergovernmental	3,022,910	-		3,022,910
Advances from other funds	-	-	156,934	156,934
<b>Total Assets</b>	<b>\$ 3,178,791</b>	<b>\$ 929,115</b>	<b>\$ 3,051,642</b>	<b>\$ 7,159,548</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,682,189	\$ 866	\$ -	\$ 2,683,055
Interfund payable	266,100	-	-	266,100
Advances to other funds	-	241,547	-	241,547
<b>Total Liabilities</b>	<b>2,948,289</b>	<b>242,413</b>	<b>-</b>	<b>3,190,702</b>
<b>Fund Balances</b>				
Restricted				
Commercial passenger excise tax funds	155,881	933	-	156,814
Bond construction funds	-	488,347	-	488,347
Assigned:				
Development of community facilities	-	-	3,051,642	3,051,642
Harbor projects	-	197,422	-	197,422
Public works projects	74,621	-	-	74,621
<b>Total Fund Balances</b>	<b>230,502</b>	<b>686,702</b>	<b>3,051,642</b>	<b>3,968,846</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,178,791</b>	<b>\$ 929,115</b>	<b>\$ 3,051,642</b>	<b>\$ 7,159,548</b>

**City of Ketchikan, Alaska**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Project Fund**  
**For the Year Ended December 31, 2016**

	<b>Major Capital Improvements</b>	<b>Harbor Improvements</b>	<b>Community Facilities Development</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Revenues</b>				
Intergovernmental	\$ 3,115,243	\$ 752,680	\$ -	\$ 3,867,923
Investment earnings	164	70	18,049	18,283
Contributions	-	4,117	-	4,117
<b>Total Revenues</b>	<b>3,115,407</b>	<b>756,867</b>	<b>18,049</b>	<b>3,890,323</b>
<b>Expenditures</b>				
<b>Debt Service:</b>				
Debt issuance costs	-	17,322	-	17,322
<b>Capital Outlay:</b>				
Culture and tourism	1,685,948	-	-	1,685,948
Public works	3,020,156	-	-	3,020,156
Port and harbors	-	3,372,762	-	3,372,762
<b>Total Expenditures</b>	<b>4,706,104</b>	<b>3,390,084</b>	<b>-</b>	<b>8,096,188</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,590,697)</b>	<b>(2,633,217)</b>	<b>18,049</b>	<b>(4,205,865)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of bonds	-	1,765,000	-	1,765,000
Premium from sale of bonds	-	252,887	-	252,887
Transfers out				
Harbor fund	-	(4,683)	-	(4,683)
Debt service fund	-	-	(194,316)	(194,316)
Transfers in				
Commercial passenger vessel tax fund	207,286	5,000	-	212,286
Sale of capital assets	-	45,000	-	45,000
<b>Total Other Financing Sources (Uses)</b>	<b>207,286</b>	<b>2,063,204</b>	<b>(194,316)</b>	<b>2,076,174</b>
<b>Net Change in Fund Balances</b>	<b>(1,383,411)</b>	<b>(570,013)</b>	<b>(176,267)</b>	<b>(2,129,691)</b>
<b>Fund Balances At Beginning of Year</b>	<b>1,613,913</b>	<b>1,256,715</b>	<b>3,227,909</b>	<b>6,098,537</b>
<b>Fund Balances At End of Year</b>	<b>\$ 230,502</b>	<b>\$ 686,702</b>	<b>\$ 3,051,642</b>	<b>\$ 3,968,846</b>

City of Ketchikan, Alaska  
Major Capital Improvements Fund  
Project Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 9,325,200	\$ 9,560,950	\$ 3,115,243	\$ -	\$ 3,115,243	\$ (6,445,707)
Investment earnings	-	-	164	-	164	164
<b>Total Revenues</b>	<u>9,325,200</u>	<u>9,560,950</u>	<u>3,115,407</u>	<u>-</u>	<u>3,115,407</u>	<u>(6,445,543)</u>
<b>Expenditures</b>						
Culture and tourism	395,000	646,113	1,685,948	(1,198,753)	487,195	158,918
Public works	9,325,200	9,325,200	3,020,156	6,253,144	9,273,300	51,900
<b>Total Expenditures</b>	<u>9,720,200</u>	<u>9,971,313</u>	<u>4,706,104</u>	<u>5,054,391</u>	<u>9,760,495</u>	<u>210,818</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(395,000)</u>	<u>(410,363)</u>	<u>(1,590,697)</u>	<u>(5,054,391)</u>	<u>(6,645,088)</u>	<u>(6,234,725)</u>
<b>Other Financing Sources</b>						
Transfer in	395,000	410,363	207,286	-	207,286	(203,077)
<b>Total Other Financing Sources</b>	<u>395,000</u>	<u>410,363</u>	<u>207,286</u>	<u>-</u>	<u>207,286</u>	<u>(203,077)</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>-</u>	<u>(1,383,411)</u>	<u>(5,054,391)</u>	<u>(6,437,802)</u>	<u>(6,437,802)</u>
<b>Prior Year Encumbrances Returned</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,459</u>	<u>34,459</u>	<u>34,459</u>
<b>Fund Balances Beginning of Year</b>	<u>54,792</u>	<u>54,792</u>	<u>1,613,913</u>	<u>(1,529,456)</u>	<u>84,457</u>	<u>29,665</u>
<b>Fund Balances End of Year</b>	<u>\$ 54,792</u>	<u>\$ 54,792</u>	<u>\$ 230,502</u>	<u>\$ (6,549,388)</u>	<u>\$ (6,318,886)</u>	<u>\$ (6,373,678)</u>

City of Ketchikan, Alaska  
Harbor Improvements Fund  
Project Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Intergovernmental	\$ 246,000	\$ 246,000	\$ 752,680	\$ -	\$ 752,680	\$ 506,680
Investment earnings	-	-	70	-	70	70
Contributions	-	-	4,117	-	4,117	4,117
<b>Total Revenues</b>	<u>246,000</u>	<u>246,000</u>	<u>756,867</u>	<u>-</u>	<u>756,867</u>	<u>510,867</u>
<b>Expenditures</b>						
<b>Debt Service:</b>						
Debt issuance costs	-	-	17,322	-	17,322	(17,322)
<b>Capital Outlay:</b>						
Port and harbors	<u>227,665</u>	<u>392,665</u>	<u>3,372,762</u>	<u>(3,046,473)</u>	<u>326,289</u>	<u>66,376</u>
<b>Total Expenditures</b>	<u>227,665</u>	<u>392,665</u>	<u>3,390,084</u>	<u>(3,046,473)</u>	<u>326,289</u>	<u>49,054</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>18,335</u>	<u>(146,665)</u>	<u>(2,633,217)</u>	<u>3,046,473</u>	<u>430,578</u>	<u>559,921</u>
<b>Other Financing Sources and (Uses)</b>						
Transfer in						
Commercial passenger vessel tax	-	5,000	5,000	-	5,000	-
Transfers out						
Harbor	-	-	(4,683)	-	(4,683)	(4,683)
Advances from other funds	(312,500)	(312,500)	-	(312,500)	(312,500)	-
Proceeds from sale of bonds	-	-	1,765,000	-	1,765,000	1,765,000
Premium from sale of bonds	-	-	252,887	-	252,887	252,887
Sale of capital assets	-	-	45,000	-	45,000	45,000
<b>Total Other Financing Sources (Uses)</b>	<u>(312,500)</u>	<u>(307,500)</u>	<u>2,063,204</u>	<u>(312,500)</u>	<u>1,750,704</u>	<u>2,058,204</u>
<b>Net Change in Fund Balances</b>	<u>(294,165)</u>	<u>(454,165)</u>	<u>(570,013)</u>	<u>2,733,973</u>	<u>2,181,282</u>	<u>2,618,125</u>
<b>Fund Balances Beginning of Year</b>	<u>1,141,171</u>	<u>1,141,171</u>	<u>1,256,715</u>	<u>(2,532,146)</u>	<u>(1,275,431)</u>	<u>(2,416,602)</u>
<b>Fund Balances End of Year</b>	<u>\$ 847,006</u>	<u>\$ 687,006</u>	<u>\$ 686,702</u>	<u>\$ 201,827</u>	<u>\$ 905,851</u>	<u>\$ 201,523</u>

City of Ketchikan, Alaska  
Community Facilities Development Fund  
Project Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Investment earnings	\$ 17,352	\$ 17,352	\$ 18,049	\$ -	\$ 18,049	\$ 697
<b>Total Revenues</b>	17,352	17,352	18,049	-	18,049	697
<b>Other Financing Sources and (Uses)</b>						
Transfers out						
Debt service fund	(194,300)	(194,300)	(194,316)	-	(194,316)	(16)
Advances to other funds	276,857	276,857	-	276,857	276,857	-
<b>Total Other Financing Sources and (Uses)</b>	82,557	82,557	(194,316)	276,857	82,541	(16)
<b>Net Change in Fund Balances</b>	99,909	99,909	(176,267)	276,857	100,590	681
<b>Fund Balances Beginning of Year</b>	2,793,815	2,793,815	3,227,909	(433,791)	2,794,118	303
<b>Fund Balances End of Year</b>	\$ 2,893,724	\$ 2,893,724	\$ 3,051,642	\$ (156,934)	\$ 2,894,708	\$ 984



City of Ketchikan, Alaska  
Hospital Construction Fund  
Project Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Contributions	\$ -	\$ -	\$ 505,130		\$ 505,130	\$ 505,130
Investment earnings	-	-	6,859	-	6,859	6,859
<b>Total Revenues</b>	-	-	511,989	-	511,989	511,989
<b>Expenditures</b>						
Health and welfare	5,528,900	5,528,900	12,333,484	(6,488,489)	5,844,995	(316,095)
<b>Net Change in Fund Balances</b>	(5,528,900)	(5,528,900)	(11,821,495)	6,488,489	(5,333,006)	195,894
<b>Prior Year Encumbrances Returned</b>	-	-	-	1,150,200	1,150,200	1,150,200
<b>Fund Balances Beginning of Year</b>	5,692,223	5,692,223	18,104,001	(11,223,003)	6,880,998	1,188,775
<b>Fund Balances End of Year</b>	\$ 163,323	\$ 163,323	\$ 6,282,506	\$ (3,584,314)	\$ 2,698,192	\$ 2,534,869



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## GENERAL FUND

Due to the implementation of GASB Statement No. 54 the City has re-classified four of its special revenue funds to bring the City into compliance with the new standard. The Hospital Sales Tax, Public Works Sales Tax, Economic Development and Parking and Shoreline Funds are all considered to be general fund activity. The City has added this section to present the combining statements of the general fund and the individual budgetary fund statements. The general fund's individual budgetary statement is still presented as required supplementary information.

**General Fund** – This fund is used to account for all resources and activities of the City except those required to be accounted for in another fund.

**Hospital Sales Tax and Other Public Works Fund** – This fund is used to account for the proceeds of the sales tax levy that is restricted to the payment of costs of construction and maintenance of capital improvements under Section 3.04.130(b) of the Ketchikan Municipal Code.

**Public Works Sales Tax and Other Public Works Fund** – This fund is used to account for the proceeds of the sales tax levy that is restricted to the payment of costs of construction and maintenance of capital improvements under Section 3.04.130(a) of the Ketchikan Municipal Code.

**Economic Development and Parking Fund** – This fund is used to account for the proceeds from the sale of the Spruce Mill property. These proceeds must be used for economic development and the development of parking facilities as determined by the City Council.

**Shoreline Fund** – This fund is used to account for the assets and liabilities of the former Shoreline Service Area that were transferred to the City at the time the service area was annexed.

**Community Grant Fund** – This fund is used to account for grants given to community based non-profit humanitarian agencies as determined by the City Council.

**City of Ketchikan, Alaska**  
**Combining Balance Sheet**  
**General Fund**  
**December 31, 2016**

	<b>General</b>	<b>Hospital Sales Tax</b>	<b>Public Works Sales Tax</b>
<b>Assets</b>			
Cash and temporary investments	\$ 7,397,538	\$ 4,792,653	\$ 5,897,017
Restricted cash - Investigation Funds	137,151	-	-
Receivables:			
Accounts	287,609	-	-
Taxes	981,125	496,132	744,199
Intergovernmental	25,448	-	-
Interfund	266,100	-	-
Advances from other funds	-	-	-
Land for resale	384,704	-	-
<b>Total Assets</b>	<b>\$ 9,479,675</b>	<b>\$ 5,288,785</b>	<b>\$ 6,641,216</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 371,388	\$ 6,755	\$ 237,598
Payroll payable	1,811,126	-	-
Unearned revenue	70,166	-	-
<b>Total Liabilities</b>	<b>2,252,680</b>	<b>6,755</b>	<b>237,598</b>
<b>Deferred Inflows of Resources</b>	<b>917,697</b>	<b>496,132</b>	<b>744,199</b>
<b>Fund Balances</b>			
Nonspendable	384,704	-	-
Restricted	137,151	-	-
Assigned:			
Subsequent years budget	1,431,403	822,472	1,907,860
Parking development and abatement of dangerous buildings	-	-	-
Hospital development and expansion	-	3,963,426	-
General government	121,250	-	61,132
Public safety	6,705	-	965,865
Culture and tourism	49,627	-	1,281,468
Public works	94,932	-	-
Streets, sidewalks and other public projects	-	-	1,443,094
Unassigned	4,083,526	-	-
<b>Total Fund Balances</b>	<b>6,309,298</b>	<b>4,785,898</b>	<b>5,659,419</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 9,479,675</b>	<b>\$ 5,288,785</b>	<b>\$ 6,641,216</b>

<b>Economic Development &amp; Parking</b>	<b>Shoreline Services</b>	<b>Community Grant Fund</b>	<b>Totals</b>
\$ 924,369	\$ 117,403	\$ 20,565	\$ 19,149,545
-	-	-	137,151
-	-	-	287,609
-	-	-	2,221,456
-	-	-	25,448
-	-	-	266,100
241,547	-	-	241,547
-	-	-	384,704
<u>\$ 1,165,916</u>	<u>\$ 117,403</u>	<u>\$ 20,565</u>	<u>\$ 22,713,560</u>
\$ 38,475	\$ -	\$ 8,150	\$ 662,366
-	-	-	1,811,126
-	-	-	70,166
<u>38,475</u>	<u>-</u>	<u>8,150</u>	<u>2,543,658</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,158,028</u>
-	-	-	384,704
-	-	-	137,151
-	5,974	12,407	4,180,116
1,127,441	-	-	1,127,441
-	-	-	3,963,426
-	-	8	182,390
-	111,429	-	1,083,999
-	-	-	1,331,095
-	-	-	94,932
-	-	-	1,443,094
-	-	-	4,083,526
<u>1,127,441</u>	<u>117,403</u>	<u>12,415</u>	<u>18,011,874</u>
<u>\$ 1,165,916</u>	<u>\$ 117,403</u>	<u>\$ 20,565</u>	<u>\$ 22,713,560</u>

City of Ketchikan, Alaska  
General Fund  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Revenues</b>							
Taxes							
Real & personal property taxes	\$ 6,002,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,002,812
Automobile & boat taxes	47,749	-	-	-	-	-	47,749
Penalty & interest	38,704	11,886	17,830	-	-	-	68,420
Senior citizen local contribution	(458,116)	-	-	-	-	-	(458,116)
Sales tax	4,256,103	2,837,402	4,256,103	-	-	-	11,349,608
Payments in lieu of taxes	35,789	-	-	-	-	-	35,789
	<u>9,923,041</u>	<u>2,849,288</u>	<u>4,273,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,046,262</u>
Licenses and permits							
Building permits	191,629	-	-	-	-	-	191,629
Other	1,885	-	-	-	-	-	1,885
	<u>193,514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,514</u>
Intergovernmental							
Federal fire grants	69,490	-	-	-	-	-	69,490
Liquor licenses tax	44,000	-	-	-	-	-	44,000
Other state revenues	720,070	-	-	-	-	-	720,070
Federal revenues	5,048	-	-	-	-	-	5,048
	<u>844,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,766</u>
Charges for services							
Ambulance	589,985	-	-	-	-	-	589,985
Rentals	19,130	-	-	-	-	-	19,130
Parking fees	86,755	-	-	-	-	-	86,755
Cemetery	725	-	-	-	-	-	725
Library services	588,293	-	-	-	-	-	588,293
Museum services	252,579	-	-	-	-	-	252,579
E-911 emergency dispatch services	403,482	-	-	-	-	-	403,482
Civic center services	109,595	-	-	-	-	-	109,595
Other charges	58,128	-	-	-	-	-	58,128
	<u>2,108,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,108,672</u>
Fines and forfeitures							
Parking fines	89,835	-	-	-	-	-	89,835
Other fines	17,217	-	-	-	-	-	17,217
Court deposits	25,142	-	-	-	-	-	25,142
	<u>132,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,194</u>
Investment earnings	1,355	1,305	1,435	184	32	-	4,311
Other revenue							
Miscellaneous	57,423	953	3,131	-	-	52,560	114,067
Interdepartmental charges	3,141,701	-	-	-	-	-	3,141,701
<b>Total Revenues</b>	<u>16,402,666</u>	<u>2,851,546</u>	<u>4,278,499</u>	<u>184</u>	<u>32</u>	<u>52,560</u>	<u>23,585,487</u>

City of Ketchikan, Alaska  
General Fund  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances (Cont'd)  
For the Year Ended December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Expenditures</b>							
<b>Current:</b>							
General government							
Mayor and council	167,909	-	-	-	-	360,400	528,309
City Clerk	297,288	-	-	-	-	-	297,288
Law	306,568	-	-	-	-	-	306,568
City Manager	646,739	-	-	-	-	-	646,739
Finance	1,811,370	-	3,500	-	-	-	1,814,870
Information Technology	1,047,499	-	-	-	-	-	1,047,499
	<u>4,277,373</u>	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>360,400</u>	<u>4,641,273</u>
Public safety							
Fire	3,407,219	-	44,212	-	-	-	3,451,431
Police	4,802,987	-	171,223	-	-	-	4,974,210
	<u>8,210,206</u>	<u>-</u>	<u>215,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,425,641</u>
Culture							
Library	1,279,725	-	-	-	-	-	1,279,725
Museum	847,685	-	365,400	-	-	-	1,213,085
Civic Center	435,015	-	80,816	-	-	-	515,831
Tourism and development	-	-	-	162,450	-	-	162,450
	<u>2,562,425</u>	<u>-</u>	<u>446,216</u>	<u>162,450</u>	<u>-</u>	<u>-</u>	<u>3,171,091</u>
Health and welfare							
Public Health	10,226	37,962	-	-	-	-	48,188
Public works							
Engineering	1,537,232	-	41,546	-	-	-	1,578,778
Streets	1,353,713	-	1,007,521	-	-	-	2,361,234
Cemetery	70,426	-	-	-	-	-	70,426
Garage	485,764	-	8,698	-	-	-	494,462
Building Maintenance	386,381	-	80,747	-	-	-	467,128
	<u>3,833,516</u>	<u>-</u>	<u>1,138,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,972,028</u>
<b>Total Expenditures</b>	<u>18,893,746</u>	<u>37,962</u>	<u>1,803,663</u>	<u>162,450</u>	<u>-</u>	<u>360,400</u>	<u>21,258,221</u>
<b>Excess (Deficiency) of Revenues</b>							
<b>Over (Under) Expenditures</b>	<u>(2,491,080)</u>	<u>2,813,584</u>	<u>2,474,836</u>	<u>(162,266)</u>	<u>32</u>	<u>(307,840)</u>	<u>2,327,266</u>

City of Ketchikan, Alaska  
General Fund  
Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances (Cont'd)  
For the Year Ended December 31, 2016

	General	Hospital Sales Tax	Public Works Sales Tax	Economic Development & Parking	Shoreline Services	Community Grant	Totals
<b>Other Financing Sources (Uses)</b>							
Transfers in							
Sales tax hospital and other public works fund	420,000	(420,000)	-	-	-	-	-
Sales tax public works fund	2,000,000	-	(2,000,000)	-	-	-	-
Transient occupancy tax fund	318,251	-	-	-	-	-	318,251
Shoreline area fund	6,374	-	-	-	(6,374)	-	-
Bayview cemetery fund	5,000	-	-	-	-	-	5,000
Commercial passenger vessel tax fund	25,417	-	-	-	-	-	25,417
Ketchikan public utilities fund	786,000	-	-	-	-	-	786,000
Port fund	319,000	-	-	-	-	-	319,000
Wastewater services fund	80,000	-	-	-	-	-	80,000
Transfers out							
General obligation bond debt service fund	(663,047)	(2,562,750)	-	-	-	-	(3,225,797)
Community grant fund	(185,973)	(48,750)	(73,125)	-	-	307,848	-
Port fund	(19,258)	-	-	-	-	-	(19,258)
<b>Total Other Financing Sources (Uses)</b>	<b>3,091,764</b>	<b>(3,031,500)</b>	<b>(2,073,125)</b>	<b>-</b>	<b>(6,374)</b>	<b>307,848</b>	<b>(1,711,387)</b>
<b>Net Change in Fund Balances</b>	<b>600,684</b>	<b>(217,916)</b>	<b>401,711</b>	<b>(162,266)</b>	<b>(6,342)</b>	<b>8</b>	<b>615,879</b>
<b>Fund Balances Beginning of Year</b>	<b>5,708,614</b>	<b>5,003,814</b>	<b>5,257,708</b>	<b>1,289,707</b>	<b>123,745</b>	<b>12,407</b>	<b>17,395,995</b>
<b>Fund Balances End of Year</b>	<b>6,309,298</b>	<b>4,785,898</b>	<b>5,659,419</b>	<b>1,127,441</b>	<b>117,403</b>	<b>12,415</b>	<b>18,011,874</b>



City of Ketchikan, Alaska  
Sales Tax Hospital and Other Public Works Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 2,862,500	\$ 2,862,500	\$ 2,837,402	\$ -	\$ 2,837,402	\$ (25,098)
Penalties and interest	12,500	12,500	11,886	-	11,886	(614)
Investment earnings	-	-	1,305	-	1,305	1,305
Miscellaneous	-	-	953	-	953	953
<b>Total Revenues</b>	<u>2,875,000</u>	<u>2,875,000</u>	<u>2,851,546</u>	<u>-</u>	<u>2,851,546</u>	<u>(23,454)</u>
<b>Expenditures</b>						
<b>Current:</b>						
Health and welfare	<u>263,800</u>	<u>307,311</u>	<u>37,962</u>	<u>17,127</u>	<u>55,089</u>	<u>252,222</u>
<b>Total Expenditures</b>	<u>263,800</u>	<u>307,311</u>	<u>37,962</u>	<u>17,127</u>	<u>55,089</u>	<u>252,222</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,611,200</u>	<u>2,567,689</u>	<u>2,813,584</u>	<u>(17,127)</u>	<u>2,796,457</u>	<u>228,768</u>
<b>Other Financing Uses</b>						
Transfers out						
General fund	(420,000)	(420,000)	(420,000)	-	(420,000)	-
Community grant fund	(48,750)	(48,750)	(48,750)	-	(48,750)	-
General obligation debt service fund	<u>(2,562,750)</u>	<u>(2,562,750)</u>	<u>(2,562,750)</u>	<u>-</u>	<u>(2,562,750)</u>	<u>-</u>
<b>Total Other Financing Uses</b>	<u>(3,031,500)</u>	<u>(3,031,500)</u>	<u>(3,031,500)</u>	<u>-</u>	<u>(3,031,500)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(420,300)</u>	<u>(463,811)</u>	<u>(217,916)</u>	<u>(17,127)</u>	<u>(235,043)</u>	<u>228,768</u>
<b>Fund Balances Beginning of Year</b>	<u>4,931,717</u>	<u>4,931,717</u>	<u>5,003,814</u>	<u>(7,404)</u>	<u>4,996,410</u>	<u>64,693</u>
<b>Fund Balances End of Year</b>	<u>\$ 4,511,417</u>	<u>\$ 4,467,906</u>	<u>\$ 4,785,898</u>	<u>\$ (24,531)</u>	<u>\$ 4,761,367</u>	<u>\$ 293,461</u>

**City of Ketchikan, Alaska**  
**Sales Tax Public Works Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>(GAAP Basis) Actual</b>	<b>Reclassifications and Encumbrances</b>	<b>(Budgetary Basis) Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>						
Taxes	\$ 4,293,750	\$ 4,293,750	\$ 4,256,103	\$ -	\$ 4,256,103	\$ (37,647)
Penalties and interest	18,000	18,000	17,830	-	17,830	(170)
Intergovernmental	20,524	20,524	-	-	-	(20,524)
Investment earnings	-	-	1,435	-	1,435	1,435
Miscellaneous	-	-	3,131	-	3,131	3,131
<b>Total Revenues</b>	<b>4,332,274</b>	<b>4,332,274</b>	<b>4,278,499</b>	<b>-</b>	<b>4,278,499</b>	<b>(53,775)</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government						
Finance	20,000	20,000	3,500	16,357	19,857	143
Public safety						
Fire	187,562	234,931	44,212	155,175	199,387	35,544
Police	188,740	201,385	171,223	(11,150)	160,073	41,312
Culture						
Museum	705,559	918,520	365,400	538,333	903,733	14,787
Civic center	236,925	244,025	80,816	28,260	109,076	134,949
Public works						
Engineering	167,000	170,250	41,546	6,983	48,529	121,721
Streets	1,983,000	2,019,716	1,007,521	(100,366)	907,155	1,112,561
Garage	-	-	8,698	(8,698)	-	-
Building maintenance	-	24,000	80,747	(60,424)	20,323	3,677
<b>Total Expenditures</b>	<b>3,488,786</b>	<b>3,832,827</b>	<b>1,803,663</b>	<b>564,470</b>	<b>2,368,133</b>	<b>1,464,694</b>
<b>Excess of Revenues Over Expenditures</b>	<b>843,488</b>	<b>499,447</b>	<b>2,474,836</b>	<b>(564,470)</b>	<b>1,910,366</b>	<b>1,410,919</b>
<b>Other Financing Uses</b>						
Transfer out						
General fund	(2,000,000)	(2,000,000)	(2,000,000)	-	(2,000,000)	-
Community grant fund	(73,125)	(73,125)	(73,125)	-	(73,125)	-
<b>Total Other Financing Uses</b>	<b>(2,073,125)</b>	<b>(2,073,125)</b>	<b>(2,073,125)</b>	<b>-</b>	<b>(2,073,125)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(1,229,637)</b>	<b>(1,573,678)</b>	<b>401,711</b>	<b>(564,470)</b>	<b>(162,759)</b>	<b>1,410,919</b>
<b>Prior Year Encumbrances Returned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,871</b>	<b>33,871</b>	<b>33,871</b>
<b>Fund Balances Beginning of Year</b>	<b>4,235,433</b>	<b>4,235,433</b>	<b>5,257,708</b>	<b>(491,990)</b>	<b>4,765,718</b>	<b>530,285</b>
<b>Fund Balances End of Year</b>	<b>\$ 3,005,796</b>	<b>\$ 2,661,755</b>	<b>\$ 5,659,419</b>	<b>\$ (1,022,589)</b>	<b>\$ 4,636,830</b>	<b>\$ 1,975,075</b>

City of Ketchikan, Alaska  
Economic Development & Parking Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

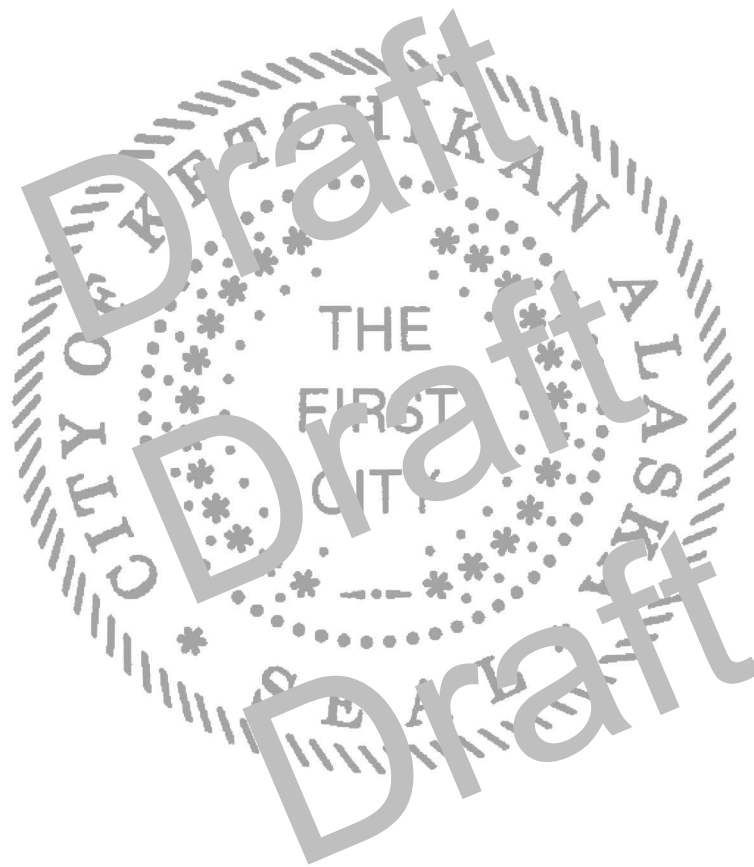
	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	184	-	184	184
<b>Total Revenues</b>	-	-	184	-	184	184
<b>Expenditures</b>						
<b>Current:</b>						
Economic tourism and development	162,450	162,450	162,450	-	162,450	-
	162,450	162,450	162,450	-	162,450	-
<b>Deficiency of Revenues Under Expenditures</b>	(162,450)	(162,450)	(162,266)	-	(162,266)	184
<b>Other Financing Uses</b>						
Advances from harbor improvements fund	312,500	312,500	-	312,500	312,500	-
<b>Total Other Financing Uses</b>	312,500	312,500	-	312,500	312,500	-
<b>Net Change in Fund Balances</b>	150,050	150,050	(162,266)	312,500	150,234	184
<b>Fund Balances Beginning of Year</b>	555,771	555,771	1,289,707	(554,047)	735,660	179,889
<b>Fund Balances End of Year</b>	\$ 705,821	\$ 705,821	\$ 1,127,441	\$ (241,547)	\$ 885,894	\$ 180,073

City of Ketchikan, Alaska  
*Shoreline Fund*  
*Schedule of Revenues, Expenditures and*  
*Changes in Fund Balances - Budget and Actual*  
*For the Year Ended December 31, 2016*

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Investment earnings	\$ 40	\$ 40	\$ 32	\$ -	\$ 32	\$ (8)
<b>Other Financing Uses</b>						
General fund	(6,374)	(6,374)	(6,374)	-	(6,374)	-
<b>Net Change in Fund Balances</b>	(6,334)	(6,334)	(6,342)	-	(6,342)	(8)
<b>Fund Balances Beginning of Year</b>	123,766	123,766	123,745	-	123,745	(21)
<b>Fund Balances End of Year</b>	\$ 117,432	\$ 117,432	\$ 117,403	\$ -	\$ 117,403	\$ (29)

City of Ketchikan, Alaska  
Community Grant Fund  
Schedule of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended December 31, 2016

	Original Budget	Final Budget	(GAAP Basis) Actual	Reclassifications and Encumbrances	(Budgetary Basis) Actual	Variance Positive (Negative)
<b>Revenues</b>						
Contributions	\$ 52,560	\$ 52,560	\$ 52,560	\$ -	\$ 52,560	\$ -
<b>Total Revenues</b>	52,560	52,560	52,560	-	52,560	-
<b>Expenditures</b>						
<b>Current:</b>						
Mayor and council	360,408	360,408	360,400	-	360,400	8
<b>Deficiency of Revenues Under Expenditures</b>	(307,848)	(307,848)	(307,840)	-	(307,840)	8
<b>Other Financing Sources</b>						
Transfers in						
General fund	185,973	185,973	185,973	-	185,973	-
Hospital sales tax fund	48,750	48,750	48,750	-	48,750	-
Public works sales tax fund	73,125	73,125	73,125	-	73,125	-
<b>Total Other Financing Sources</b>	307,848	307,848	307,848	-	307,848	-
<b>Net Change in Fund Balances</b>	-	-	8	-	8	8
<b>Fund Balances Beginning of Year</b>	280	280	12,407	-	12,407	12,127
<b>Fund Balances End of Year</b>	\$ 280	\$ 280	\$ 12,415	\$ -	\$ 12,415	\$ 12,135



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## PROPRIETARY FUNDS

## MAJOR ENTERPRISE FUNDS

Ketchikan Public Utilities Fund – This fund is used to account for the operations, maintenance, and capital improvements of Ketchikan Public Utilities, a combined utility that provides electric, telecommunications and water services.

Port Fund – This fund is used to account for the operations, maintenance, and capital improvements of the city-owned port facilities.

Wastewater Fund – This fund is used to account for the operations, maintenance, and capital improvements of the municipal wastewater collection and treatment utility system.



**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 19,395,178	\$ 17,366,977
Restricted cash, cash equivalents and investments:		
Revenue bond redemption fund cash	640,271	1,163,963
Accounts receivable	\$ 2,319,891	
Less uncollectible accounts	<u>(70,000)</u>	3,141,671
Due from other governments	-	879,146
Prepaid expenses	22,343	14,897
Inventory of materials	2,835,103	2,955,547
Unbilled revenue	<u>1,048,528</u>	<u>958,166</u>
<b>Total current assets</b>	<u>26,191,314</u>	<u>26,480,367</u>
<b>Noncurrent assets</b>		
Restricted investments:		
Revenue bond reserve fund investments	1,391,500	1,586,000
Accrued interest receivable - bond reserve fund	-	2,796
Total noncurrent restricted assets	<u>1,391,500</u>	<u>1,588,796</u>
Utility plant in service:		
Land	2,722,866	2,722,866
Other non-depreciable assets	52,405	52,405
Construction work in progress	642,493	1,776,210
Plant in service	246,415,551	241,505,081
Less accumulated depreciation	<u>(137,892,356)</u>	<u>(132,203,292)</u>
Total capital assets (net of accumulated depreciation)	<u>111,940,959</u>	<u>113,853,270</u>
<b>Total noncurrent assets</b>	<u>113,332,459</u>	<u>115,442,066</u>
<b>Total assets</b>	<u>139,523,773</u>	<u>141,922,433</u>
<b>Deferred outflow of resources</b>	<u>759,803</u>	<u>296,796</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 140,283,576</u>	<u>\$ 142,219,229</u>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Net Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,951,121	\$ 2,739,026
Accrued interest payable	140,693	160,022
Compensated absences payable	103,342	92,028
Customer deposits	379,120	370,940
Unearned revenue	111,350	27,482
Unamortized premiums	123,002	115,484
Revenue bonds payable	2,175,562	2,145,519
Advances to other funds	287,932	276,857
<b>Total current liabilities</b>	<b>6,272,122</b>	<b>5,927,358</b>
<b>Noncurrent liabilities</b>		
Accrued interest payable	-	4,278
Unamortized bond premium	1,396,293	1,497,244
Compensated absences payable	930,074	828,250
Net pension liability	3,800,135	2,753,822
Revenue bonds payable	20,213,676	21,899,945
Advances to other funds	3,169,002	3,456,934
<b>Total noncurrent liabilities</b>	<b>29,509,180</b>	<b>30,440,473</b>
<b>Deferred inflow of resources</b>	<b>42,359</b>	<b>48,754</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>35,823,661</b>	<b>36,367,831</b>
<b>Net position</b>		
Net investment in capital assets	88,032,611	88,231,003
Restricted for bond retirement	1,958,826	2,655,331
Unrestricted	14,468,478	14,916,310
<b>Total net position</b>	<b>104,459,915</b>	<b>105,802,644</b>
<b>Total liabilities and net position</b>	<b>\$ 140,283,576</b>	<b>\$ 142,170,475</b>

**City of Ketchikan, Alaska**  
**Ketchikan Public Utilities Fund**  
**Comparative Statements of Revenues, Expenses and**  
**Changes in Net Position - by Service**  
**For the Years Ended December 31, 2016 and 2015**

	<b>Total</b>		<b>Electric</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>				
Services	\$38,876,540	\$37,043,159	\$16,765,326	\$16,087,247
Other	444,379	399,210	370,497	350,271
<b>Total Operating Revenues</b>	<u>39,320,919</u>	<u>37,442,369</u>	<u>17,135,823</u>	<u>16,437,518</u>
<b>Operating Expenses</b>				
Operation and maintenance	25,483,547	24,026,833	12,783,034	11,662,447
Administration and general	5,793,720	5,875,484	1,626,940	1,644,771
Depreciation	8,042,878	8,053,750	3,032,559	3,162,371
<b>Total Operating Expenses</b>	<u>39,320,145</u>	<u>37,956,067</u>	<u>17,442,533</u>	<u>16,469,589</u>
<b>Operating Income (Loss)</b>	<u>774</u>	<u>(513,698)</u>	<u>(306,710)</u>	<u>(32,071)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Operating grants	135,314	537,986	26,690	126,366
Interest earnings	7,713	6,780	5,092	5,413
Revenue bond interest expense	(802,681)	(896,371)	(531,729)	(614,146)
Other interest expense	(18,808)	(17,934)	(15,188)	(14,200)
Debt refunding costs	(27,653)	-	(27,653)	-
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(706,115)</u>	<u>(369,539)</u>	<u>(542,788)</u>	<u>(496,567)</u>
<b>Net Income (Loss) Before Contributions, Grants and Transfers</b>	<u>(705,341)</u>	<u>(883,237)</u>	<u>(849,498)</u>	<u>(528,638)</u>
Capital contributions	148,612	172,852	115,150	98,245
Capital grants	-	775,730	-	-
Transfers out - payment in lieu of taxes	(786,000)	(786,000)	(381,993)	(381,993)
<b>Total Contributions, Grants and Transfers</b>	<u>(637,388)</u>	<u>162,582</u>	<u>(266,843)</u>	<u>(283,748)</u>
<b>Change in Net Position</b>	<u>(1,342,729)</u>	<u>(720,655)</u>	<u>(\$1,116,341)</u>	<u>(\$812,386)</u>
<b>Net Position Beginning of Year</b>	<u>105,802,644</u>	<u>106,523,299</u>		
<b>Net Position End of Year</b>	<u>\$104,459,915</u>	<u>\$105,802,644</u>		

Telecommunications		Water	
2016	2015	2016	2015
\$18,463,623	\$17,502,673	\$3,647,591	\$3,453,239
-	-	73,882	48,939
18,463,623	17,502,673	3,721,473	3,502,178
10,642,306	10,101,434	2,058,207	2,262,952
3,740,714	3,806,866	426,066	423,847
3,629,194	3,568,792	1,381,125	1,322,587
18,012,214	17,477,092	3,865,398	4,009,386
451,409	25,581	(143,925)	(507,208)
55,113	276,855	53,511	134,765
2,184	1,140	437	227
(149,352)	(160,000)	(121,600)	(122,225)
(3,620)	(3,734)	-	-
-	-	-	-
(95,675)	114,261	(67,652)	12,767
355,734	139,842	(211,577)	(494,441)
33,462	74,607	-	-
-	-	-	775,730
(206,358)	(206,358)	(197,649)	(197,649)
(172,896)	(131,751)	(197,649)	578,081
\$182,838	\$8,091	(\$409,226)	\$83,640

City of Ketchikan, Alaska  
Ketchikan Public Utilities Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Cash received from customers and users	\$ 40,206,205	\$ 36,327,362
Cash payments to employees for services	(13,280,806)	(12,751,297)
Cash payments to suppliers for goods and services	(16,883,907)	(15,897,513)
<b>Net Cash Provided by Operating Activities</b>	<u>10,041,492</u>	<u>7,678,552</u>
<b>Cash Flows from Noncapital Financing Activity</b>		
Operating grant from other governments	135,314	537,986
Payment in lieu of taxes to the general fund	(786,000)	(786,000)
<b>Net Cash Used by Noncapital Financing Activities</b>	<u>(650,686)</u>	<u>(248,014)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Advances from other funds	(276,857)	(266,209)
Capital grant received from other governments	148,612	4,095,731
Capital debt proceeds	1,368,439	(711,949)
Principal paid on revenue bonds	(2,145,519)	(2,044,901)
Interest paid on revenue bonds	(930,442)	(1,140,484)
Payments for capital acquisitions and construction	(6,253,558)	(7,015,707)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(8,089,325)</u>	<u>(7,083,519)</u>
<b>Cash Flows from Investing Activities</b>		
Investment earnings	8,528	5,383
Proceeds from bond reserve fund investments	194,500	92,041
<b>Net Cash Flows Provided by Investing Activities</b>	<u>203,028</u>	<u>97,424</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,504,509	444,443
<b>Cash and Cash Equivalents Beginning of Year</b>	<u>18,530,940</u>	<u>18,086,497</u>
<b>Cash and Cash Equivalents End of Year</b>	<u><u>\$ 20,035,449</u></u>	<u><u>\$ 18,530,940</u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet:</b>		
Cash and temporary investments - current assets	19,395,178	17,366,977
Revenue bond redemption fund - restricted	640,271	1,163,963
	<u><u>\$ 20,035,449</u></u>	<u><u>\$ 18,530,940</u></u>

(continued)

City of Ketchikan, Alaska  
Ketchikan Public Utilities Fund  
Comparative Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

(continued)

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Operating Income</b>	\$ 774	\$ (513,698)
<b>Adjustments:</b>		
Depreciation	8,042,878	8,053,750
Other	83,363	328,215
<b>(Increase) Decrease in Assets and Deferred Outflows of Resources:</b>		
Accounts receivable	891,780	(1,018,265)
Unbilled revenue	(90,362)	(69,914)
Prepaid expenses	(7,446)	2,268
Inventory	120,444	56,822
Customer deposits	8,180	7,432
Deferred outflows	(498,747)	(171,690)
<b>Increase (Decrease) in Liabilities and Deferred Inflows of Resources:</b>		
Accounts payable	253,704	280,030
Accrued expenses		
Compensated absences payable	113,138	141,951
Unearned revenue	83,868	(26,828)
Net pension liability	1,046,313	559,725
Deferred inflow of resources for pension	(6,395)	48,754
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 10,041,492</u>	<u>\$ 7,678,552</u>
<b>Noncash investing, capital and financing activities</b>		
Revenue bond arbitrage	\$ (1,982)	\$ 1,400